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Steady Course of British Economy

The gloomy prophets who saw the definite reversal of Britain's export drive in the the April trade figures were wrong after all. The figures for May show a jump of £14 million in the value of exports, to £151,500,000. The fact that May was a full working month, whereas April was interrupted by holidays, does not account for the whole of this increase. The daily rate of exports was 2 per cent. higher in May than in April, though still rather below the heights reached during the first quarter of 1949. Increasing sales difficulties as the post-war boom comes to an end in country after country may temporarily, at least, be stopping further acceleration in Britain's export drive. But they are not yet putting on the brake.

This is reflected in the employment figures. In spite of all the talk, growing competition with the end of the sellers' market has not yet touched the structure of full employment in Britain. So far this year, the normal seasonal fall in unemployment during the spring has been going on undisturbed by any sign of a downward "slide" in the trade cycle.

This does not mean that Britain is immune from fears of a slump. The London Stock Exchange has been a bear market all this year, and in sympathy with Wall Street, share prices have lately fallen sharply. On June 10 the index for ordinary industrial shares fell to its lowest since the end of the war. But this is not due entirely to the trade outlook and, especially, fears that the American recession is bound to spread; it is probably due quite as much to the inevitable uncertainty that comes when a general election is not more than a year ahead. But certainly one reason for falling prices on the Stock Exchange is that more companies are reducing, or not paying, their dividend payments. And firms that have not yet felt the draught in their accounts have been giving warnings of what is to come.

Lord McGowan, Chairman of the giant Imperial Chemical Industries, recently told his shareholders that the sellers' market had disappeared for nearly all the company's products, and it was facing "fierce competition." But he found no ground for pessimism, however. He believed that the com-

petition could be met. Efficient new plants were coming into operation, he said, and the company had the co-operation of the trade unions in introducing improved production methods and in the extended use of incentive wage systems. Last year, with demand still strong and without the shortages of coal and raw materials that delayed production in 1947, the company's chemical plants were in full operation almost continuously. A measure of the higher efficiency, he said, was that I.C.I. prices had risen to only 44 per cent. above those of 1938, while the official index of wholesale prices in Britain had risen 133 per cent. There was not now any hope of large reductions in chemical prices at home.

Lord McGowan said the company would have to fight hard to keep its overseas markets. But the implications of his speech were more than defensive. Imperial Chemicals would also fight hard to develop new markets, particularly in hard currency areas. He stressed that for this competent salesmanship was as important as low production costs.

This stress on salesmanship in exporting is increasing in British industry. The London merchant banking firm of Hambros are still extending their sales promotion plans in the United States. Sir Grahame Cunningham, the businessman who is to supervise the dollar drive, is now starting work on the lines recommended by a committee of businessmen. A Dollar Exports Board, financed by industry, is to advise firms trying to open or expand markets in the United States and Canada. It will be a focus point for all attempts to earn dollars, acting with the Government departments but independent of them.

There is still strong faith in Britain that by such means as this the export drive as a whole can be maintained and the particularly valuable exports to North America increased fairly sharply. The hopes and experience of individual firms are mixed. Some have recently reported reductions in their sales abroad, and this is especially common among the consumer goods industries. But one firm of electrical engineers has done as much export business in the first third of 1949 as in any full year previously. Against this, other company chairmen emphasise the ebb and flow of business which is caused by foreign

exchange controls and import restriction, even where British prices are fully competitive. But so far the cuts in some exports are no more than an adjustment, balanced by increases elsewhere. And where the cuts have to be met by reducing output and dismissing workers, the slack is soon taken up. As shown by the unofficial statistics production has lately been fairly steady, about 25 per cent. higher than its average in 1946 and 4 per cent. higher than last year.

In the British market signs of contraction are still scarce. There has been a heavy fall in the consumption of beer, leading to reduced output by the breweries and to cuts in dividends by some companies. But this is an exception. Most traders find that the public's purse-strings are tighter than they were, but they are not tight enough to cut business. Recent banking statistics suggest that the monetary position is stable. In Britain there is now neither inflation nor deflation. The fortunes of different trades are varying as the economy is adjusted to something near normal after the post-war boom.

This position might not be held for long. On Tyneside and Wearside, centres of Britain's shipbuilding industry, there is serious fear of growing unemployment, both in the shipyards themselves and in the engineering works associated with them. And it is believed that in this district there are no expanding industries to take up workers who are dismissed. This is a special problem, and in any case it has not happened yet. A more general sign of changing conditions is the belief of Britain's Iron and Steel Federation that the steel supply position, which for long was the chief limit on industrial production as a whole, will notably ease in the coming months; by the end of this year, the Federation thinks, there may well be more steel than consumers will want. But this is not the only view. Two distinguished economists of London University have recently argued that what Britain has to face this year is still inflation, and have called on the Government to cut investment in capital projects. On balance it looks as though the British economy is at the moment holding to a steady course. Whether the course is fast enough for the dollar problem to be solved by 1952, no one would like to say.

Foreign Trade Restrictions and the Role of the International Trade Organisation

In March 1948 at Havana, Cuba, fifty-four national delegations to the United Nations Conference on Trade and Employment accepted for submission to their respective governments the so-called Havana Charter for an International Trade Organisation. That Charter is the final revision of the draft proposals which were originally made by the United States Government in December 1945. It incorporates, of course, many changes which had to be made in the course of several international conferences for the purpose of achieving agreement among the negotiating governments. Actual establishment of the ITO now waits upon ratification of the Charter by at least twenty of the signatories of the Havana Agreement. In the U.S. early action is sought by the Administration, which submitted the Charter to Congress on April 28, 1949 in the form of a joint resolution requiring the majority approval of both houses. Of the foreign signatories, only Australia has ratified the Charter to date; most of the others are expected to defer action until the United States position becomes known.

The Charter is a complex document of sixty-six closely printed pages which sets forth the projected role of the ITO as an agency of international collaboration in the foreign trade field. The major provisions of the Charter may be briefly summarised as follows:

Full employment and rising "effective" demand are accepted as necessary conditions for the expansion of international trade. Each member country recognises its responsibility for fulfilment of such conditions by measures "appropriate to its political, economic, and social institutions". The Charter further recognises that the development of economically retarded countries will effectively contribute to international prosperity and accepts the possibility that tariff and other protection of promising infant industries may usefully serve such economic development. Members of the Organisation agree to assist in the development of the economically retarded countries, which in turn agree to subject their protectionist measures to a considerable measure of ITO control.

All ITO members undertake to negotiate most-favored-nation tariff reductions, which are to operate automatically to reduce existing margins of tariff preferences. Quantitative trade restrictions are barred, subject to numerous exceptions among which balance-of-payments difficulties on the part of individual member countries (as appraised by such individual members) provide the broadest loophole. Discriminatory administration of quota restrictions is prohibited unless required in order to support exchange controls permitted by the International measures authorised by the ITO. Ex-

port subsidies are to be banned after two years, except that member governments retain broad discretionary authority to subsidise exports of primary commodities. State trading enterprises are to be required to conduct their operations in accordance with "commercial considerations", and to negotiate reductions of any artificial margins—comparable in effect to export or import duties—between the foreign and domestic prices of commodities traded by them. Emergency provisions permit the withdrawal of tariff reductions or other concessions that prove damaging.

Members further agree to take appropriate action to eliminate business practices on the part of their nationals (e.g., cartel arrangements) that, after investigation by the ITO, are proved to have a restrictive effect upon international trade. The Organisation is empowered to convene intergovernmental conferences for the regulation of certain primary commodity markets when natural economic forces fail, or threaten to fail, to produce a satisfactory equilibrium. In all such agreements, the consuming countries are to have a voice equal to that of the producing countries.

The principal organs of the ITO are to be a Conference; an Executive Board; Commissions as may be required; and a Secretariat. Unit voting by countries is to prevail within all of these administrative organs. The Executive Board of eighteen members will include eight members of "chief economic importance", in the determination of which particular regard is to be paid to their shares in international trade. With respect to trade disputes, members failing to reach agreement by mutual consultation are to refer their differences to the Executive Board. Decisions or other actions of the Executive Board may be appealed to the Conference and thereafter, under certain circumstances, to the International Court of Justice.

Although nothing in the Charter excludes any member from maintaining economic relations with nonmembers, the Charter prohibits agreements between members and nonmembers that discriminate against other members of the Organisation. Members assume no obligation whatsoever to extend most-favored-nation treatment to nonmember countries.

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A certain measure of practical application of the Charter has already been secured in the form of the General Agreement on Tariffs and Trade, signed at Geneva in 1947, which incorporates the bulk of the commercial-policy provisions of the Charter. Tariff concessions subsequently granted by the twenty-three governments provisionally accepting the General Agreement have reportedly covered approximately 50 per

cent of world trade. The United States tariff concessions, granted under the Reciprocal Trade Agreements Act, are calculated to have reduced the average rate of duty on all dutiable imports into the United States from 32 per cent to 25. Representatives of the General Agreement countries are now engaged at Annecy, France, in the further negotiation of multilateral concessions with eleven other countries seeking to participate in the Agreement.

The General Agreement thus has already rendered conspicuous service in reducing the tariff barriers to world trade and may well continue to exert this beneficial influence even if the ITO Charter fails of general acceptance. Provisions of the General Agreement which permit the signatories to withhold tariff concessions from non-participating countries after two years should exert considerable pressure upon nonmembers to enter the pact. Failing widespread defection from the General Agreement upon its formal termination in January 1951, the Agreement is to be extended indefinitely.

Considerably more crucial to the expansion of world trade, however, is international action to curtail the use of quantitative restrictions. In this endeavor, the ITO is intended to constitute the logical complement of the International Monetary Fund, which is empowered to regulate the use of exchange control. Since exchange controls and quantitative restrictions are largely alternative methods of regulating foreign trade, it is evident that international action to remove exchange controls should be accompanied by similar action to remove trade restrictions: otherwise, relaxation of exchange controls may well be nullified by a corresponding intensification of trade restrictions.

In striking contrast to the Fund Agreement, however, the Havana Charter fails to subject the use of quota restrictions in all cases to the prior approval of the ITO. Thus, ITO members retain extensive discretionary authority to maintain or reimpose quota restrictions in order: (a) to forestall the imminent threat of, or to stop, a serious decline in the level of monetary reserve; or (b) in the case of a member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves. Opportunity for a highly elastic interpretation of such "imminent threats" is afforded by another Charter provision recognizing the need of members to safeguard their economies against deflationary pressure in the event of a serious decline of the effective demand of other countries. Moreover, the Charter recognizes that such threats to monetary reserves may legitimately arise not only from market forces, such as the curtailment of exports by depression abroad, but also from member countries' deliberate expansion of imports for the purposes of furthering economic development, full employment, and other governmental projects.

Import quotas for the protection of infant industries may be imposed only with the approval of the ITO. Under special circumstances, however, such as the protection of infant industries established between January 1939 and the date of the Charter, the ITO's prior approval is rendered virtually automatic. Furthermore, ITO approval may be sought after, rather than before, the introduction of protective measures if the process of negotiation with the ITO threatens to create undue speculation in the market concerned. Moreover, the prospective preponderance of undeveloped countries in the ITO membership may prove conducive to a liberal interpretation of the Charter provisions.

Although the Charter prohibition of quantitative restrictions is thus qualified by exemptions sufficient to permit their maintenance and even growth, authorized deviations from the rule of nondiscrimination have been more closely limited. While a broad range of existing tariff preferences is temporarily recognized, reductions in general tariff rates are to operate automatically to reduce preference margins. Furthermore, no preference margin may be increased. On the other hand, the Charter's acceptance, under specified circumstances, of quota restrictions may well prove tantamount to acceptance of their discriminatory administration. Governments intent upon discriminating would not be seriously constrained by the provision that import and export quotas must be allocated solely on the basis of the geographical distribution of the same exports or imports in an earlier representative period (subject to any special factors affecting the market). It is evident that choice of the "representative period" and appraisal of "special factors" will afford ample opportunity for more or less disguised discrimination. State trading monopolies, subject only to the vague rule of "commercial considerations", will retain an even greater degree of freedom to pursue discriminatory policies.

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As an instrument of international supervision of the use of trade restrictions, the ITO blueprint by the Havana Charter obviously leaves much to be desired. The Charter has encountered widespread criticism on the grounds that it is so riddled with exceptions as to render it almost valueless as a means of restoring multilateral and nondiscriminatory trade.

In so far as such current criticism rests on the assumption that the primary solution to the world trade problem lies in a thoroughgoing elimination of exchange and trade restrictions, and that the immediate need is for an international agency endowed with sufficient authority to compel the removal of such trade barriers, it oversimplifies the problem. In recent years, it has become increasingly clear that the disequilibrium of world trade, particularly the

dollar scarcity, is attributable in large part to other and deeper causes such as wartime losses of invisible earnings, the lag of European productivity behind that of the United States, discrepancies in international cost and price levels, and other basic difficulties.

So long as these root causes of disequilibrium remain uncorrected, many foreign countries may well find themselves unable to dispense with quantitative and discriminatory restriction of their foreign trade. Restrictive measures currently in force cannot be suddenly swept away without causing painful transitional effects and quite possibly retarding, rather than advancing, progress toward trade equilibrium.

As part of an over-all effort to restore a balanced pattern of international trade, however, reduction of trade barriers can contribute significantly to a successful solution. Thus, lack of foreign markets rather than inadequate output may soon appear as a limiting factor in the recovery of Western Europe. Action to secure a closer integration of national economies will require careful planning, however, and, inevitably, protracted consultation and negotiation among the various nations concerned.

In general, therefore, it would seem that the immediate need is for an international instrument of planning and negotiating reductions of trade barriers rather than an instrument for compelling their elimination. The serious divergencies of national trade policies that emerged during the drafting of the Charter would inevitably have dominated the future trade negotiations of most countries, implicitly if not openly. By clarifying these issues, the Charter has contributed substantially to mutual understanding of the obstacles to be overcome in future negotiations. The International Trade Organisation itself could provide the international machinery for such negotiations.

British Colonial Development

The Colonial Development Corporation, which was set up by Parliament with borrowing powers exceeding £100,000,000 to develop resources and trade in the Colonial Empire and to expand production of foodstuffs and raw materials, recently made its first Annual Report. The Report discloses that nine undertakings of the Corporation are already in operation including a scheme for producing Manila hemp in North Borneo. 57 projects are under active investigation including two schemes for Malaya. Several other projects have been approved subject to certain reservations. Total capital commitments in respect of the undertakings in operation is just over £3,000,000. Expenditure altogether on schemes under investigation is estimated at £35,000,000.

Outlining the immense tasks facing the Corporation the Report points out

that the conditions of climate, soil, disease, under-nutrition, ignorance, and lack of incentive are major problems in the Colonies which cannot be faced by the Corporation alone. United efforts by the Colonial Office, by private enterprise, and above all, by the peoples of territories concerned are needed. The Report points out that it would be a mistake to expect the Corporation will earn an overall profit till some years have elapsed. In the development of various projects, particularly in the tropics, land clearance and slow maturing crops may call for a large expenditure for a period with no revenue earned.

Potentially the largest share of the Corporation's activities is in the Agricultural Division but the bulk of the Division's projects are still in the preparatory stage. There are, however, under active investigation, schemes for the production of oilseeds, cereals, fruits and fibres. The Fisheries Division is also well aware of the need for increasing supplies of fish to mitigate the protein shortage in tropical diets but many factors are against the rapid development of fisheries. The Corporation however, hopes in its next annual report to be able to point to projects actually in operation.

The project now in operation in North Borneo has been entered into in view of the world shortage of Manila hemp and because the main supplier—the Philippines—is in the dollar area. North Borneo is believed to be well suited for the cultivation of Manila hemp and the Corporation have bought from the custodian of enemy property in Borneo five ex-Japanese hemp estates totalling some 14,000 acres. 7,000 acres are virgin jungle while only about 2,300 acres are under hemp in fair condition owing to neglect during the Japanese occupation. The Corporation has made an agreement with a commercial concern to form a joint company to take over the estates. If the undertaking goes well the Corporation is later to commence operations on its own account on another undeveloped area of 20,000 acres.

Chiang in Canton

Mr. Wang Shih-chieh, acting as political adviser to Generalissimo Chiang Kai-Shek, reached the crux of the situation in China today when he said that "up to the present each front has been fighting its own fight. There has been no effective unity of command." This has long been evident and if there had been more wisdom and comprehension displayed by the Kuomintang, as well as a sinking of personal gains the Communists could hardly have swept the country as they have done. According to the Peiping radio the Communist Party claim that they now control an area of China comprising nearly 280,000,000 or 58 per cent. of China's total popu-

lation. These figures may or may not be a little over-estimated, but certainly the most important points along the China coast are in Communist hands. The number of people brought under their control is therefore immaterial when compared with this fact.

All this time, in fact since last January when he gave up the post of President, General Chiang Kai-Shek has been outside the ring and little has been learned of whether he had retired permanently or was waiting the turn of events. At long last and aware that it is now or never the Generalissimo has returned to Canton in an effort, not perhaps to resume the office of President, but to unite some of the factions in the Kuomintang. This is a necessary preliminary to organising a concerted "general plan for the conduct of the war on all fronts"—to quote Mr. Wang's somewhat ambiguous expression of opinion.

Nothing official has been announced as to what is being planned and conjecture is giving rise to a number of rumours. One thing is certain, however, and that is the General arrived in Canton with a concrete if still somewhat unformed scheme in his hand—the proposed China-Philippines sponsored Pacific Union. The talk General Chiang Kai-Shek held a few days with President Quirino on this subject appears to be bearing fruit. The President expressed himself forcibly that such a union is essential and within the next few weeks we shall probably learn more of the form which its supporters hope it will take and whether India will agree to come in—an important point.

The General's return to Canton seems to have created a surge of optimism there, but in Hongkong the more or less over-all opinion appears to have undergone little change, except that, to use a phrase which has become a by-word in China, "we must wait and see."

American Opinions on China Questions

No diplomatic recognition of the Communist regime in China and no trade with it—that is the policy receiving the largest vote in two national public opinion surveys on the China issue. Twenty-one Senators last month petitioned President Truman to give assurance that the United States will not recognize a Communist Chinese government. Secretary of State Acheson promised Senate foreign policy leaders that they would be consulted before any decision is made about recognition.

The ideas of the average American voter about the China problem were probed in the two surveys by the American Institute of Public Opinion as follows:

In the first, all voters who said they knew something about the Chinese civil war were asked:

Do you think the United States should recognize the new government in China being set up by the Chinese Communist Party—that is, do you think we should send an Ambassador and have dealings with this government in China?

The vote:	
Favor recognition	19%
Opposed	41
No opinion	15
	75%
Not familiar with situation	25

The issue of recognition has many important ramifications. One thing at stake is China's seat on the U.N. Security Council. If the new Chinese government, friendly to Russia, is recognized by western powers and takes over China's place on the Council, the Soviets would have an important new ally in the deliberations and the voting of the U.N. Big Five.

The question of carrying on trade relations with Chinese Communists was put to voters in the following manner:

If China is taken over completely by the Communists, do you think the United States should continue to carry on trade with China, or do you think the United States should refuse to have any trade with China?

The vote:	
Continue trade	34%
Refuse to trade	46
No opinion	20

On the recognition issue voters of all education levels expressed opposition. The vote by education follows:

	High Grade College School School		
Favor recognition	32%	21%	13%
Opposed	54	47	32
No opinion	10	14	17
	96%	82%	62%
Not familiar with situation	4	18	38

Mass Dismissals in Japan.

The widespread dismissals of employees in Japan, especially from Government offices, is creating so much discontent and resentment that the disturbances arising therefrom, which have long been predicted should the ruling become effective, appear to be already causing grave anxiety. Under the present uncertain conditions obtaining in the world markets with the forecast of depression, it is perhaps to be expected that the Japanese should blame the American administration for a policy which, though advocated as a necessary adjunct to Japanese economic recovery, might well react in such a way as to hinder rather than advance the country's reinstatement in the industrial world.

It has frequently been said in the past that the number of those employed in many branches of Japanese industrial and government administrative work always exceeded their usefulness, and that a reform along these lines was highly desirable. The excessive number of employees became even more marked during and since the war years and apparently nothing has been done to remedy the situation. All this is conceded, but a reform of this kind involving the livelihood of thousands, is a task that no administration would lightly undertake, especially at a time when social unrest has penetrated to the very doors of Japan and General Douglas MacArthur must have faced the possible consequences squarely before issuing an order that a weaker administration would hesitate to undertake. With the urgent need for reform in this direction it has apparently been decided that the present moment is as good as any other. The board is, therefore, being cleared drastically and thoroughly.

Japan has, during the past few months definitely indicated that she is capable of moving—and rapidly—towards economic sufficiency, but it is conceivable that an over-burdened government wage list could well hinder this advance, or at least hamper it to a greater degree than desirable; it was furthermore anticipated that with a resuscitated industry more useful jobs would become available. While this is the case, the interim between dismissals and trade recovery has to be filled. Government subsidies and charitable institutions may do their best, but bona fide employment alone can really meet the case. As it now is, the Government appears to be economising on the one hand by making the departments more efficient, but on the other the savings thus achieved may for a time at least, be largely dispersed in the form of largesse—an unwholesome method of meeting unemployment as well as being unproductive and demoralising.

Already accusations of sabotage and violence have been noted but concrete plans are probably well under way to cope with any situation as it may arise. Unrest is however, contagious and a handy peg on which to hang grievances however extraneous to the root cause, and in this instance we are told already that dissatisfaction is spreading far beyond the limits of those dismissed and into the ranks of Japanese financiers and industrialists who, long restive under foreign jurisdiction and restrictions and with their own axe to grind, are already condemning the occupation forces for a policy which, though once advocated by these groups, they now aver could lead not only to an acute shortage of production but could "aggravate social unrest and delay the realisation of a self-supporting economy."

General MacArthur has indeed a strenuous road to travel. He understands

Labour Unions and the Emergency in Malaya

It was the suspension of the labour movement in Singapore and Malaya which led to the outbreak of the present emergency. As the Malayan Communist Party which dominated the labour movement was not considered, by the authorities on the spot and by the Imperial Government, co-operative as regards the establishment of post-war constitutional reforms, and the Government obtained proof of their intentions to obstruct official efforts for realising changes for the improvement of general conditions in the country, the Pan-Malayan Federation of Trade Unions, the backbone of the MCP, was outlawed. Today, after over a year of guerilla fighting, mopping up, terrorism and sabotage, it appears to most observers, in Malaya and abroad, that the authorities misjudged the actual strength of the revolutionary trade unions, their determination to see the issue through and the extent of support on which they could count during the revolt.

To appease labour is therefore the most vital matter now and without a success of this policy there cannot be any conclusion of the emergency. The problem however is formidable; the politically conscious workers cannot be expected to reform themselves into labour unions with the blessing of the Government only—and the figures as officially revealed bear this anticipation out: before the start of the emergency or the country-wide revolt the number of organised workers was nearly 150,000 but the present number of labourers as registered by authorised unions is only 40,000. Efforts are made to bring back to labour in Malaya unity and thus to establish conditions which may eventually lead to the termination of the state of emergency. That the influence of the MCP must be reckoned with goes without saying and it will therefore prove necessary to come to terms with the rebels and prepare a way—with or without loss of 'face'—for conciliation and compromise.

In the following article a special Malayan correspondent reviews the position of labour unions in his country and describes the trend towards unity of workers.

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The most important aspect of organised labour in Malaya today is the trend towards unity among the unions.

only too well that Japan must become self-supporting as rapidly as possible and is obviously motivated to clear away any possible hindrance towards that end; and if the Japanese Government is wise it will not only support the measure, but will institute public undertakings in order to absorb the unemployed until such time as industry can take them in.

The way events are shaping it is most likely that a Malayan Trade Union Committee will be established by August. When that happens, the Federation of Malaya will have a central body to speak on behalf of all workers and will have a direct link with Labour members of the Federal Legislative Council and trade union representatives on the important Labour Advisory Board. This Board considers all policy on matters concerning industrial legislation and recommends action to Government.

Springing from a growing realisation of the need for closer unity, the proposed Trade Union Committee will give trade unions in Malaya an opportunity to combine together and build up the movement as one force and to provide a central group able to speak for organised labour on all questions of a social, economic or political nature at the highest level. Establishment of the Committee will end the feeling of isolation now experienced by many of the small unions operating on estates and mines remote from towns, and often with a membership widely scattered in their own local areas. Such unions will feel they have something to belong to, that there is an organisation of their own to which they can turn, and that together they will be able to play an active part in accelerating the development of trade union interests and contributing to the advancement of the country.

If any proof of this is needed, it can be found in the initial reactions of unions to the proposal made for a Trade Union Committee. The proposals were sent to 160 unions, all of which have either already considered them or are about to do so at annual general meetings being held shortly. Those unions which have already replied to the Working Committee have given their endorsement. It may take some time yet before the process of getting all union branches to vote on the recommendations is completed, but it is expected that delegates will be meeting in Kuala Lumpur within the next two months to give official recognition to the new central body. The scheme has the approval of the Federal Government which through the Chief Secretary stated in a letter to the Chairman of the Working Committee, Mr V.M.K. Menon: "Not only does the Government accept the proposals, but indeed welcomes the setting up of this new trade union consultative machinery." In addition, the Government has also authorised unions of Government employees to take part in the scheme. The British Trades Union Congress has also given its blessing. In a letter signed by the secretary of the International Department of the T.U.C., Mr. E.A. Bell, it was stated: "Such a development would greatly facilitate contact between your organisation and the T.U.C., and would

also be of considerable assistance in according international recognition to the Malayan trade union movement."

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The proposals were developed by a Working Committee appointed at a conference of trade union delegates at Kuala Lumpur in February this year. The Committee, which consisted of a Tamil, a Sikh, a Chinese, a Eurasian and a Malay, met three times to draw up proposals. The Committee was told by the Conference to examine the trade union position and see what could be done to establish closer contact between unions, as the lack of a central organisation made it impossible to work out a policy programme. This created a gap between the unions themselves and their representatives on the Federal Legislative Council concerned with presenting the views of labour to the Government.

When the proposals are adopted, there will be established a Central Trade Union Committee, elected annually either by a direct vote of a conference of all union delegates or by nomination from three Divisional Committees representing unions in geographical units. The Divisional Committees will have a membership of nine. It is proposed that the unions will be represented on these committees on a group basis with estate and mining unions each holding two of the nine seats, unions of Government employees another two, clerical unions one and two seats for all other unions. This proportion would be preserved also on the Central Committee, the functions of which would be to co-ordinate the work of the Divisional Committees and to carry out the union policy as decided by the annual conference of trade unions. Safeguards are provided to prevent any attempt by the Divisional Committees to control the policy of individual unions. There will also be a third body, which will be in many ways the most influential. It is proposed that there should be a small Joint Trade Union Liaison Committee, consisting of representatives appointed by the annual conference of delegates and others selected from the official labour groups on the Federal Legislative Council and the Labour Advisory Board. This Committee will be the means of communication between the unions and the Government.

The new central body will replace the former Communist-dominated Pan-Malayan Federation of Trade Unions, which disintegrated a year ago on the declaration of the state of Emergency in Malaya, its members vanishing into the jungle to begin a military campaign. The trade union movement in Malaya was severely shaken by the action of authorities and by the Communists, whole unions disappearing overnight as Communist officers fled. By the end of the year, however, the responsible democratic unions emerged in leadership of the workers of Malaya. Now, a little more than a year later these unions are moving

towards realisation of unity and towards building up a movement which can overcome the differences of race, religions and custom inherent in the quadrilingual society of Malaya.

Union leaders have taken heart from the encouragement given by the British Trades Union Congress, the interest shown by British labour leaders in union developments in Malaya, and the offers of assistance they have made. The T.U.C. has now followed up by granting a Colonial scholarship for the training of a Malayan union leader for one year in the United Kingdom. With the help of the T.U.C., union spokesmen hope that they will be able to have the new central body in Malaya established in time to enable Malaya to join the new non-Communist World Federation of Trade Unions and to send her own delegates to attend the international conference at Geneva in October.

It says much for the fundamental soundness of the new trade union organisations in Malaya that they can direct their energies to forming a central organisation, for the general situation of the unions is by no means comfortable and they have to bear burdens during the Emergency. The Trade Union Adviser, Mr. J. A. Brazier, is however not worried about the present union position in Malaya. He says things are far less tense than they were six months or a year ago. He is not impressed by those who point cynically at falling membership figures, arguing that these are proof of decay and collapse. What really matters, he says, is that the membership which remains should be strong and sound. With such a core, it will be comparatively easy for unions to expand when the Emergency ends or whenever the industrial need should arise.

The state of Emergency in Malaya has inevitably had its effects on the trade union movement. More than a year ago when the Communists ruled the movement through the Pan-Malayan Federation of Trade Unions, they claimed a total membership of 149,000, figures which were not substantiated. After the outbreak of the revolt the situation was as follows:—By December there were 162 unions with a membership of 70,037. By February, the total membership was 62,871 for 164 unions. Then a drop occurred, and the present position is that there are 160 trade unions in Malaya with a total membership of 40,434. The reason for the sudden decline since February is that branches of the larger unions were checked by officers of the Registrar of Trade Unions. It was found that members, although carried on the books of the head office, had in fact fallen into arrears with their subscriptions and had ceased to remain members according to the rules of the unions. By the end of May, there were in addition 31

THE INTER-RACIAL FEUD IN MALAYA

By Dr. Victor Purcell

Before December, 1941, Malaya meant little more to the British public than "rubber and tin." Then with the Japanese invasion, culminating in the fall of Singapore, the country came tragically into prominence. For three and a half years it was behind the Japanese iron curtain, and in September, 1945, it was liberated.

In mid-1946 it again "made the news" for a moment with the Malay demonstrations against the Union, receded once more into the background of raw material production, and again emerged into the lurid limelight in June last year as the setting for the jungle terror of the Communist bandits.

There has, indeed, been much discussion in Parliament and the press of Malaya's problems, but anyone relying exclusively on these sources for information is bound to have a distorted view of the truth. A main reason for this is that the case of the majority community of Malaya, the Chinese, has never been adequately stated in Britain, while the anti-Chinese and pro-Malay factions have been most vocal. This means that millions of Chinese under British rule or protection are virtually without a voice in Britain, let alone representation in its political institutions. And

Dr. Victor William Williams Saunders Purcell, noted Chinese scholar, who studied in Canton, was for twenty-six years in the Malayan Civil Service, holding posts which ranged from Magistrate to Protector of Chinese, and Director-General of Information, Malaya. After the Occupation, as Colonel Purcell, he was principal adviser on Chinese affairs to the British Military Administration.

since, as the Communist bandits are liquidated, the real problem of Malaya will force itself more and more to the front, it is necessary that the nature of this problem should be clearly stated.

The Straits Settlements (Penang was founded in 1786, Singapore in 1819. Malacca was obtained in 1824) rapidly prospered under a policy of free trade. The population was largely Chinese. But the Malay States of the hinterland were in political decay bordering on anarchy. British policy was opposed to intervention, but finally the situation became so bad that in 1873 this policy was reversed.

Perak, Selangor, Negri Sembilan, and Pahang one by one accepted treaties whereby the rulers agreed to ask for, and act upon, British advice on all questions other than those touching Malay religion and custom. In 1909 Kelantan, Trengganu, Kedah, and Perlis were transferred from Siamese to British suzerainty and with them and Johore similar treaties were made.

The result of the treaties was that order was established and the way opened for peaceful progress. But the development of the country required capital, and British capital was for long reluctant to come to Malaya because of the lack of an adequate labour force. Finally, towards the end of the century, the tin industry was greatly expanded (largely by Chinese capital and labour) and for the new British-created rubber industry Indian labour was obtained.

unions waiting to be registered. These had an estimated membership of 5,457. The most recent unions to be formed and registered include three unions of teachers, one of forest workers and a third of Government hospital employees. Of the 160 unions in Malaya, 61 are trade unions of Government employees.

Throughout Malaya today the trade unions are faced with unusually difficult circumstances. It would be easy for an outsider to assume that the drop in membership from 70,000 in November to 40,000 in May means there is something basically wrong with the movement in Malaya. There are, however, several factors which must be considered when assessing the situation. There is the psychological factor. Since the Emergency, very few unions have formulated or actively pursued wage claims. There have been very few disputes. Up to the present there has been no attempt on the part of the employers to cut wage rates or to vary the conditions of employment. Therefore, the drop

in membership may spring from the absence of urgent demands which, in all countries having trade unions, not only build up and maintain membership but are also vital to the spirit of trade unionism itself. When there are no demands being made or contemplated, there is usually in any union in any country a slackening of interest. The sense of struggle is missing. There is another important factor—freedom of association. This is essential to the working of any union. Without meetings a union can hardly exist. In Malaya today meetings are possible in the large towns, as workers can get together easily after their day's labour is done. The conditions brought about by the Emergency do not impinge upon them. But meetings are not possible outside the towns, particularly in the rubber industry. There are also physical factors facing union officers. They cannot move about freely because of the Emergency. It is extremely difficult to collect subscriptions or to maintain continuous contact with branch organisations.

The effect of the opening up of Malaya can be graphically expressed in terms of population figures. In 1911 in a total population of 2,673,000 there were 1,438,000 Malays, 917,000 Chinese, and 267,000 Indians; by 1941 the Chinese had become the majority community (2,379,000, as compared with 2,279,000 Malays and 744,000 Indians in a total population of 5,511,000). The figures for the 1947 census were 2,615,000 Chinese, 2,234,000 Malays, and 600,000 Indians in a total of 5,449,000.

It will be seen that the effect of immigration had been to double the population in a few years and entirely to change its racial composition. Although the Malays had themselves largely been recruited by immigration of their fellow-Moslems from Java and Sumatra, Malaya was no longer essentially a Malay country. The Malays benefited with the other communities by the building of railways, roads and schools, where there had been none before, but they were apprehensive of the economic advance of the alien communities, especially the Chinese.

The British administration identified itself almost exclusively with the Malays (nearly 90 per cent of the Civil Service are to this day unimpaired in the language and customs of the majority community, the Chinese).

Before the second world war about one-third of the Chinese were Malayan-born, but no steps were taken to encourage them to regard themselves first and foremost as Malaysians, and they were therefore exposed to the propaganda of the Chinese Nationalists, who claimed all of Chinese race as Chinese. English education was restricted and the only education available for the majority of Chinese children was in Chinese (mandarin), which meant the teaching of nationalism, or, increasingly, of Communism.

When in 1943 it seemed that Malaya might be liberated within a year or two the Colonial Office started planning for the post-war Malaya. Unfortunately, after the liberation a new Constitution was imposed on Malaya before the country had had time to consider and debate it. To the proposal of an equal citizenship for all, the Malays, who claimed a special position as "the indigenous people," reacted with vigour, and they received strong support from the pro-Malay faction in Britain. The British Government, taken by surprise (and, one would hold, imperfectly advised), at one yielded to this agitation and, in effect, asked the Malays alone to devise the Constitution they would prefer. The task was handed over to the Sultans and a new Malay middle-class party called UMNO (United Malays Nationalist Organisation), with a few British officials acting as draftsmen.

ECONOMIC REPORTS FROM THE UNITED STATES

By E. Kann (Los Angeles)

(Special to Far Eastern Economic Review)

On July 11 President Harry Truman sent his mid-year economic message to Congress. Undoubtedly the gist of report was duly cabled into the wide world; possible some more details might be found in this resume.

There were altogether 11 specific recommendations in the message, the most important of which—though by no means unexpected—was abandonment by the President of his enhanced four billion dollar tax plan. Opposition to this scheme was too thorough in both Legislatures to enable the smooth passage of the proposal. The main points of President Truman's report were these:—

When the Constitution was drafted the opinions of the other communities were sought, but, in spite of strong criticism from the Chinese, a Federation which was substantially the one proposed by the Malays was brought into being in place of the Malayan Union. Whereas under the Malayan Union proposals citizenship was automatic for permanent residents, regardless of race, under the Federation only those Chinese whose father and mother had both been born in the Federation were automatically citizens.

Since the Federation was created on February 1, 1948, power has been very rapidly transferred from the British to a section of the Malays, and the former can no longer hold the scales between the communities as they used to do. It is obvious that the present federal Constitution is unacceptable to the Chinese (and to many others who object to the exclusion of Singapore or to the inclusion of Penang). In effect what the British have done is to dig a trench-line between the Malays and Chinese, and the tendency of ignorant British feeling is to class all Chinese as Communists. (What stupidity thus to multiply one's enemies five-hundredfold!)

If the feud between the races is not cured it will become a running sore eating out the vitals of Malaya. A Royal Commission is urgently called for to act as arbitrators between the communities. There are no irreconcilable differences, and Malay peasant and Chinese squatter can equally be safeguarded. The problem of this plural society is, however, greater than in Switzerland or Canada because the races are largely intermingled.

If the British do not succeed in creating a settlement in Malaya the initiative may well pass to the Communists. The latter are at present almost entirely Chinese, but equality of the races is the main plank in their platform, and they might in certain circumstances conceivably persuade large numbers of Malays and Indians that they mean what they say.

(1) Repeal of taxes on transportation of goods. Liberalise the provisions for carry-over of losses by corporations; increase estate and gift taxes, in order to cover the loss of income from freight taxation.

Many parties consider the abolition of transport taxes (also on passenger tickets) as an anomaly. They pretend that, when these levies were originally instituted, it was less for the purpose of creating new revenue, but more to prevent unnecessary burdens on America's transportation system, which was then expected to handle war goods and service personnel. Since the cause for the levy has disappeared, the taxes in connection therewith also ought to be abolished. In fact, it is thought that the removal of these obsolete taxes (without raising gift and estate dues) would be likely to stimulate business and thus pay for itself.

(2) Extend the time limit on loans to business by the Reconstruction Finance Corporation.

Commenting thereon, the Los Angeles Times opines that business ought to get capital not by borrowing from the RFC, but by seeking private investment funds; and RFC loans should probably be curtailed, not expanded. RFC has made many unsound loans, and Congress ought to demand the liquidation of this agency which was built on an emergency which no longer exists.

(3) There should be study of investment and development needs and market opportunities in an expanding economy.

(4) An improved farm income support plan.

While approval by Congress of this provision is certain, account is likely to be taken of the many defects of the existing Brannan farm plan.

(5) Minimum wages for workers should be increased to a minimum of 75 cents an hour.

House Speaker Rayburn (D. of Texas) expects that such a bill will be passed. Many others point to the boomerang which increased wages must bring in their wake, thereby stifling competition.

(6) Revise unemployment insurance by increasing benefits and widening coverage.

(7) Extend for one year the veterans re-adjustment allowances in cases where veterans are not protected by state unemployment benefits.

(8) Raise benefits for old-age assistance and improve the public assistance program.

(9) Enact legislation for advance planning (both federal and state), for public works and acquire sites for useful projects.

(10) Provide technical aid to develop the world's backward areas and encourage foreign investment.

By the way, and aside from the solemnity of the occasion, if you want to find a definition for "backward nations", well, I heard this one: A backward country is such as has not yet asked America for a loan.

(11) Seek the restoration of the reciprocal trade agreements pact, to bolster world trade.

President Truman in his message points out that there is no need for crisis action, because America's economy is still healthy and strong. "Our people insist upon the maintenance of prosperity, and will not tolerate a depression," asserts genial President Truman in his message to Congress.

In bowing to a temporary deficit spending policy to head off depression, he canceled his original call for a \$4,000,000,000 tax enhancement. Mr. Truman pledged every effort to economize and to restore the budgetary balance at the earliest possible time.

In general the message was calculated to re-assure business. However, the New York Stock Exchange displayed no reaction either way, finding that the report contained but little in the way of unexpected news.

Official Figures Showing Business Drop

According to a message from Washington the following details represent a breakdown of the economic situation which President Truman submitted to Congress:

Unemployment: averaged 3,200,000 during the first six months of 1949, an increase of about 1,000,000 when compared with the first semester, 1948.

Prices: There was a drop of 9% from August, 1948, wholesale prices (peak); but consumer prices are down only 3% in the same period. It is interesting to learn that consumer prices still are 70% higher than prewar, and 25% above OPA levels.

Wages: Average weekly take-home pay in manufacturing industries fell from \$55.01 last August to \$53.08 in May, 1949. Since this decline about equals the drop in the cost of living, real income remained almost the same.

Profits: are down, with the small corporations hardest hit. In the last quarter of 1948 corporate profits before taxes were running at an annual rate of \$34,700,000,000; now they are down to \$27,200,000,000, a decline of 22%.

Farm Income: is about 8% below first semester of 1948

Production: is lower by about 1½% over-all. However, industrial production as such has fallen much more rapidly, and by June it was 13% off from last autumn's peak

Business investment: is sharply lower, namely to the extent of 26% from the height of last fall, principally business started lowering inventories.

Credit: Credit conditions remained easy; they became an element of strength against depression. Despite abandoned controls installment credit increased only half as fast as in 1948.

American Bank Earnings.

The following results were obtained by U.S. banking institutions for the half-year ended June 30, 1949:

	1949	Per Share	1948	Per Share
	Earnings		Earnings	
National City Bank of New York	\$10,120,342	\$1.63	\$10,339,103	\$1.67
Chase National Bank			\$1.23	\$1.06
Guaranty Trust Co. of New York	\$ 9,405,100	\$9.40	\$ 9,181,828	\$9.18
Chemical Bank & Trust Co.	\$ 3,560,484		\$ 3,689,645	
Bankers Trust Co.	\$ 4,569,793	\$1.52	\$ 4,890,487	\$1.63
Bank of Manhattan	\$ 2,503,380	\$1.-	\$ 2,757,169	\$1.38
J. P. Morgan & Co.	\$ 1,461,741	\$7.31	\$ 1,787,157	\$8.90
Public National Bank & Trust Co. ...	\$ 1,228,986	\$2.23	\$ 1,278,178	\$2.32

Oil Dividends.

Thanks to a study prepared by Joseph A. Pogue and Frederick G. Coqueron, of the Chase National Bank, comprising the doings of the 30 larger oil concerns of America, very interesting material has been tabulated. Cash dividends paid by those 30 oil companies in 1948 aggregated \$471,000,000, which was 11% more than in 1947 and some 72% more than the 1942-46 average. Yet disbursements to stockholders were only about 25% of available earnings. The balance of these, viz., \$1,406,000,000 was re-invested in the business.

In the course of 1948 the 30 oil companies referred to expended for plant, property and facilities in 1948 \$2,591,000,000 which brought the total investment here and abroad to \$16,-820,000,000.

The large new plant investments enable the 30 concerns to easily meet all demands in prospect, owing to their expanded capacity. The compilers estimated that some \$21,700,000,000 is invested in property, plant and equipment of the oil industry of the United States. According to their calculations some \$5,400,000,000 was spent by the industry in 1947/48 for new facilities and that the investment is distributed 55% in production, 19% in refinery, 14% in transportation, 12% in marketing and 2% in general facilities.

Meat Packers.

In former years the notion of "meat packer" was synonymous with great riches. Recently the large meat packing concerns displayed unfavourable financial results.

Armour & Co. departed from its usual practice by issuing a mid-year report, instead of annual statements only. Business results for the 6 months ending April 30, 1949, were represented by a loss of \$6,512,000. The net loss for a similar period a year ago was \$1,756,131.

Total income for the 6 months period this year was \$928,336,221, compared with \$880,405,108 a year ago. However, costs run to \$934,848,885 and \$891,-161,239 in the two periods, leaving a loss before tax credits of \$6,512,000 and \$1,756,131, respectively. Tax credits were \$3,871,138 this year and \$1,-144,223 a year ago.

President Specht states that price declines affected the company very severely, and the inventory losses it had to absorb were substantially in excess of the net loss reported. He added that inventory losses had run 20 to 25% on choice beef, 20 to 35% on hides, and as high as 40 % on sliced bacon, dry salted pork, lard and cottonseed oil. Tallow prices declined 59%.

REVIEW OF THE TRADE OF THE FAR EAST EXTERNAL FINANCIAL AID A MAJOR FACTOR IN POSTWAR TRADE OF FAR EASTERN COUNTRIES — RETARDATION BY CIVIL STRIFE AND ECONOMIC DISLOCATION

BY MICHAEL LEE

(Chief, Far Eastern Branch, Office of International Trade,
U.S. Department of Commerce)

While the economies of the war-devastated countries of Western Europe have shown considerable improvement since the end of the war, continuing civil strife and intensified political conflict in most of the Far East¹ have not only impeded the economic recovery of the region but have contributed to the further economic deterioration of much of the area.

The high cost of maintaining armies and prosecuting civil wars has put additional burdens on the already overtaxed financial resources of Burma, China, Indochina, and Indonesia, in particular. Other countries that experienced political instability were compelled to supplant their needs for commodities for use in agricultural and industrial reconstruction by military requirements. All countries suffered extensive damage as a result of the war or of Japanese occupation, and their agricultural and industrial production in general is still far from prewar levels of output.

As a consequence, an acceleration of budgetary deficits, increased tempo of inflation, over-valuation of domestic currencies, and general economic stagnation have characterized most of the region. These factors, together with the rising pressure of population on the means of subsistence, disruption of world trade channels, inconvertibility of currencies, plus universal shortages of hard currencies, adversely affected the revival of foreign trade in the Far East.

¹ For the purpose of this article the Far East consists of: Burma, China (including Manchuria and Formosa), French Indochina, French Oceania, Hongkong, Indonesia, Japan, South Korea, Malaya, the Philippine Republic and Siam.

All postwar statistical data used in this article are derived from official sources of the respective countries but are provisional in nature and should be interpreted as preliminary rather than final figures. Political dislocations in many of the countries have made it impossible to obtain detailed statistical coverage of the area. In only a few countries have statistical services been restored to prewar levels. As a result, sufficiently accurate and detailed data are not available to estimate satisfactorily the over-all physical volume of Far Eastern trade, to convey the trade pattern of the region by detailed commodity breakdowns, or to show the trade by all sources of supply and by destination of shipments. Consequently, without complete data on physical volume, the available trade statistics can be used to express value of trade only. Because of inflated postwar prices and lack of volume figures for all commodities entering into the trade of the region, it is impossible to make valid quantitative comparisons between prewar and postwar magnitude of trade.

Because of the detachment of Formosa, Korea, and Kwantung from Japan as a result of the Japanese defeat, comparisons of prewar and postwar trade statistics of Japan and China are not strictly comparable, in consequence of the geographic changes.

No statistical information is available for the trade of Manchuria, North Korea, and the foreign-trade relations of these two areas with the U.S.S.R. To further complicate the picture, trade figures of China relate only to the Government-controlled areas and do not include trade of the Communist-dominated territories of North and Central China. Also, the development of

large-scale smuggling trade among various countries of the region, particularly between Japan and Korea, North China and Korea, Indonesia and Malaya, and traditionally China, Hongkong, and Macao, together with the existence of the trans-shipment ports of Hongkong, Singapore, and Macao, greatly complicates the analysis of the present trade statistics of the countries of the area.

In addition, the statistical tables do not incorporate the significant volume of imports purchased for the use of American military personnel in Japan and Korea and purchases made for Government accounts in the areas stricken by civil strife where considerable amounts of military equipment and provisions were imported for the use of metropolitan and other armed forces. This lack of complete statistical coverage should not be interpreted, however, as impairing the general conclusions of the report.

Magnitude of Foreign Trade

Prior to the Pacific war, the Far East occupied an important role in the merchandise trade of the world. In 1937 the aggregate value of the foreign trade of the region amounted to \$7,092,000,000 or more than 13 percent of the total global trade (table 1). In 1946 the total value of the Far Eastern trade amounted to only \$3,302,000,000, or less than half that of 1937. Considerable recovery was registered in 1947, however, when the total figure reached \$5,607,000,000, and in 1948 it achieved the highest postwar mark of \$7,106,000,000. Although in 1948 the total value of the foreign trade of the Far East had not only recovered to the prewar level, but had slightly exceeded that of 1937, nevertheless in physical volume the trade of the area was substantially less than before the war. This recovery in the value of total trade is explained by tremendous rises of imports to the area, particularly in the 2 years immediately after the war; exports from

TABLE 1.—Foreign Trade of the Far East, 1937 and 1946-48¹

(In thousands of U. S. dollars)

Country	1937			1946			1947			1948		
	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports
Total, Far East.....	7,092,193	3,672,262	3,419,931	3,302,044	1,082,164	2,219,880	5,606,857	2,032,932	3,573,905	7,106,037	2,921,691	4,184,346
Burma.....	277,479	188,480	88,999	79,399	20,459	58,940	244,255	140,149	104,106	521,087	197,600	323,487
China ²	1,184,017	556,169	627,848	866,520	148,922	717,598	870,916	230,534	640,382	579,134	244,134	335,000
French Indo-China.....	168,337	105,061	63,276	143,011	98,701	44,310	204,856	66,561	138,295	280,639	93,173	187,466
French Oceania.....	12,732	6,418	6,314	23,802	10,396	13,406	30,950	12,582	18,378	30,312	12,386	17,926
Hong Kong.....	332,798	143,421	189,377	427,963	192,844	235,119	696,879	306,490	390,389	921,933	398,653	523,280
Indonesia.....	793,552	523,537	270,015	128,862	58,799	70,063	416,251	129,768	286,483	833,562	395,167	438,405
Japan.....	2,578,081	1,205,934	1,372,097	408,685	103,292	305,393	699,707	173,568	526,139	941,234	258,621	682,613
Korea ³	444,195	195,578	248,617	49,856	360	49,496	180,367	4,996	175,371	168,458	8,865	179,593
Malaya.....	914,296	329,061	585,235	711,209	338,524	372,685	1,251,740	608,809	642,931	1,650,249	810,644	839,605
Philippines.....	261,668	152,633	109,035	360,046	64,188	295,858	775,525	264,175	511,350	849,429	322,458	526,971
Siam.....	125,178	74,970	50,208	102,691	45,679	57,012	235,401	95,320	140,081	310,000	180,000	130,000

¹ All exports are on an f. o. b. basis, and imports except for the Philippine Islands are on a c. i. f. basis; exports include reexports; bullion and specie transactions are excluded; data are on a calendar year basis except as follows: Burma for period Apr. 1, 1937-Mar. 31, 1938, and year ended Sept. 30 for 1946-48, Japan 1946 represents the period Sept. 1, 1945-Dec. 31, 1946, and Siam, the period Apr. 1, 1937-Mar. 31, 1938.

² Private trade only.

³ Includes prewar trade of Formosa and Manchuria; however, postwar trade of Manchuria is not available and Formosa is included as part of China.

⁴ Includes UNRRA imports as follows: 1946, \$167,027,733; 1947, \$168,903,162, and 1948,

\$8,123,144, also includes ECA imports in 1948 amounting to \$119,723,000; 1948 imports from Economic Aid to China Report, ECA, February 1949.

⁵ Estimated.

⁶ Includes New Caledonia.

⁷ South Korea in 1946-48, government trade only. Imports for 1947 and 1948 do not include F. L. C. imports (\$15,482,142 in 1947 and \$9,445,454 in 1948).

⁸ Annual Economic Review, China, 1948, Shanghai.

Source: Foreign Trade of each country except as noted.

the region, however, are still lagging substantially behind the prewar level. The physical volume of both exports and imports is still well below prewar levels—a fact that is likely to be obscured because of the high value figures. In relation to total world trade, however, the position of the Far East declined considerably in 1946-48, representing only 4.9 percent, 5.7 percent and 6.7 percent of the total world trade as compared with 13.4 percent in 1937. The decline in relative position of the Far East was due to general increase in the value of total world trade, an expansion in which the Far East did not participate because of slow recovery of exports and inability to pay for a high volume of needed imports.

In 1937, the region exported \$3,672,000,000, or 14.5 percent of the total world exports. The postwar decline in exports from the area is indicated by the following figures: \$1,082,000,000 in 1946, \$2,033,000,000 in 1947 and \$2,922,000,000 in 1948, or only 3.3 percent, 4.2 percent, and 5.7 percent of the total world exports, respectively. Exports of the area in 1946 amounted to only 30 percent of the prewar level and recovered to 56 percent in 1947, while in 1948 they reached 80 percent of the total value of 1937 exports from the Far East.

Imports in 1937 amounted to \$3,420,000,000, or 12.5 percent of global imports. While the postwar role of the region in the import trade of the world has decreased considerably since 1937, nevertheless imports into the Far East have demonstrated a considerable degree of recovery. This high level of imports does not reflect recovery of the economy, however, but is due to receipt of external financial assistance. The annual imports of the area amounted to \$2,220,000,000 in 1946, \$3,574,000,000 in 1947 and \$4,184,000,000 in 1948, or 6.3 percent, 7.2 percent, and 7.6 percent of the world import trade for the same periods. The more rapid rate of recovery of imports than of exports is shown by a comparison of the two. Although the 1946 imports constituted only 65 percent of the value of imports of 1937, in 1947 and 1948 they amounted to 105 and 122 percent of the imports of the base year 1937, respectively. The corresponding percentages for recovery of exports are 30 percent, 56 percent, and 80 percent for the years 1946-48.

World prices of foodstuffs, consumer and producer goods, and capital equipment advanced more rapidly than the prices of almost all principal exportable commodities of the Far Eastern region. The prices of imported commodities in the immediate postwar period were influenced by world shortages and competitive demand for the same type of goods among the countries of the world afflicted by the war and those countries whose industries were dislocated to such an extent that they became dependent upon outside sources of supply. On the other hand, the smaller rises in prices of exportable raw materials from the Far

East in general, as compared to imported manufactured goods, were due to immediate postwar decline in the demand for such raw materials among the European and Japanese industrial consumers. Another factor that has affected adversely prices and demand for some Far Eastern products has been the development of synthetics such as rubber, nylon, and rayon. With the gradual recovery of industrial activities in Europe and Japan in the past year, however, there has been an increased demand for mineral and agricultural products of the Far East, which has resulted in some improvement in prices for these commodities. This increase in prices has narrowed the previous price discrepancies considerably in the past year.

Adverse Balance of Trade Financed by Foreign Aid

Before the Pacific war the merchandise trade of the Far Eastern region as a whole was characterized by an excess of exports over imports, enabling the region to enjoy a favourable balance of trade, which in 1937 equalled \$252,000,000. The war and its after-effects radically changed this situation, so that the balance of trade has become highly unfavourable to the region. In 1946 the visible trade of the area showed a deficit of \$1,138,000,000, which rose to \$1,541,000,000 in 1947 and declined to \$1,263,000,000 in 1948 (table 1). This sharp change in the balance-of-trade picture in postwar years directly reflects a marked decline in the volume of exports, and an increased dependence of the region on foreign imports.

Only a small part of these huge deficits has been met through current receipts and by drawing upon accumulated balances. The major portion of the deficits was financed with funds provided by the United States, the United Kingdom, and other Western nations. The various types and amounts of financial aid received by the Far East since the war are summarized in table 2. Out of a total of more than \$6,367,000,000, only part of the over-all financial assistance was utilized directly for meeting foreign trade deficits. The balance was earmarked for rehabilitation and reconstruction and for military expenditures.

The slow recovery of production due to continuing civil disorder in many of the countries, together with the large-scale imports from the United States, resulted in a scarcity of foreign exchange in general and United States dollars in particular in the region as a whole. The decline of imports into China, Japan, and Korea in 1948 was not due to a decrease in demand for imported goods, but rather to the financial inability of those countries to pay for the merchandise needed. The situation is further complicated by lack of free convertibility of currencies and by continued inflation, which is particularly severe in China. The difference of price-exchange parities because of overvaluation of currencies has resulted in gaps between internal and external prices of goods, which not only affected the prices of exportable com-

modities but caused the decline of foreign trade in general.

In order to utilize limited foreign-exchange resources to the best advantage, various forms of restrictive trade measures such as exchange controls, export and import controls, licensing systems, and other forms of trade regulations were established throughout the region. The import controls are particularly rigid in their application to imports from the dollar areas. Purchases by most of the countries in the Far East from dollar areas are confined to essential consumer goods, raw materials, and capital equipment for reconstruction.

The various countries of the Far East are attempting to direct exports to hard-currency areas in order to increase dollar receipts. An additional method used to conserve dollar exchange is the diversion of imports from dollar areas wherever possible to the soft-currency countries; particularly is this true among the countries of the Far East that are members of the sterling area.

To meet the problem of lack of convertibility of currencies, the countries of the Far East have resorted to a variety of trade arrangements, not only among themselves but with the countries of other regions of the world. These types of trade pacts range from multilateral trade and clearing arrangements to simple bilateral deals.

Intraregional Trade Declines in Importance

Considerable change of direction of trade has occurred since the end of the war, intraregional trade having declined in importance while the United States has become the chief participant in the total trade of the region. In 1937 the intraregional trade of the area accounted for 48 percent, or almost half of the total trade of the area (table 3). Forty-five percent of the value of exports and 51.0 percent of the value of imports consisted of intraregional trade among the Far Eastern countries. In 1946, however, intraregional trade declined to little more than one-fourth, or 26.3 percent, of the total trade, although it rose slightly in 1946 to 29.2 percent of the total trade of the area. Corresponding declines in intraregional imports and exports are shown in table 3.

The decline in importance of the intraregional trade is due largely to a substantial decrease in the rice trade of the area and to Japan's reduced industrial capacity and loss of empire as a result of the war. This loss reduced Japan from the position of a self-supporting nation to an economic dependency of the United States. Before the war, Formosa, North China, Manchuria, and Korea in particular, as well as other Asiatic countries, depended upon Japan as a market for agricultural products and raw materials, while in payment Japan provided consumer goods and industrial equipment.

The United States occupied the principal role in the extra-regional trade of the area in 1937, accounting for 18.5 percent of the total trade, or 20.2 percent of the exports and 16.7 percent of

TABLE 2.—Grants, Credits, and Loans Extended to the Far East in the Postwar Period¹

[U. S. dollars]

Country and item	Grants, credits, and loans		Remarks
	Extended	Utilized	
Total.....	6,367,572,406	4,347,763,733	
Malaya.....	303,265,560	n. a.	
Grant by United Kingdom for war damage and war-risk insurance.....	40,300,000	n. a.	£10,000,000 actual grant.
Commitment by United Kingdom to back local government for same purpose.....	141,050,000	n. a.	£35,000,000 actual commitment.
Grant by United Kingdom to North Borneo.....	2,023,060	n. a.	£502,000 actual grant.
Loan by U. K. Ministry of Supply and the Colonial Office.....	33,247,500	17,732,000	£8,250,000 actual loan; £4,400,000 actually utilized. Financial aid for rehabilitation of the tin industry.
Grant by U. K. (Colonial Development and Welfare Fund).....	28,210,000	n. a.	£7,000,000 actual grant.
Gift by British taxpayers toward foundation of University of Malaya.....	34,255,000	n. a.	£8,000,000 actual gift.
Grant by U. K. to cover direct internal expenditures.....	24,180,000	n. a.	£6,000,000 actual grant, of which £1,000,000 to be used for expenditures for the Imperial Forces in 1946 and 1949.
Siam.....	25,000,000	21,215,270	
Credit by U. S.—Surplus property, 1946.....	10,000,000	6,215,270	
Loan by India for purchase of war material for rehabilitation, 1946.....	15,000,000	15,000,000	50,000,000 rupees actual loan. Repaid in full.
Indonesia.....	545,105,731	n. a.	
Credit by Netherlands in 1947 for 1945, 1946, 1947 Budget.....	300,000,000	272,460,000	Fl. 800,000,000 actual credit. 717,000,000 authorized through December 1947.
Credit by U. S.—Surplus property, 1946.....	100,000,000	62,700,000	Utilized through December 1947.
Credit by U. S. Commodity Credit Corporation, 1946.....	15,000,000	9,100,000	Do.
Credit by Australia—Surplus property, 1946.....	24,200,000	650,000	Utilized through March 1948.
Commodity loan by Canada, 1946.....	15,000,000	11,600,000	10,000,000 kroners actual loan.
Commodity loan by Sweden, 1946.....	2,800,000	n. a.	
Grant by U. S.—Military civilian supplies.....	(4,105,731)	4,105,731	Utilized through Dec. 31, 1948.
Economic Cooperation Administration.....	84,000,000	59,500,000	
Burma.....	513,513,250	149,979,250	
Credit by U. K. for rehabilitation.....	344,162,000	60,450,000	£85,400,000 actual credit, £15,000,000 utilized through November 1946.
Credit by U. K. for reconstruction projects.....	74,051,250	302,250	Financial agreement on revolving basis, not to exceed £18,375,000.
Credit by U. S.—Surplus property.....	5,000,000	5,000,000	
Loan by U. K. for budget deficit, 1946-47 year.....	40,000,000	43,827,000	£10,800,000 utilized, actual deficit.
Loan by U. K. for financing rice purchases by the Government.....	40,300,000	40,300,000	£10,000,000 actual loan. Repaid in full.
French Indochina.....	107,804,401	102,418,401	
Deficit of balance of trade made up by France, 1948.....	75,541,401	75,541,401	1,186,000,000 piastres, actual deficit.
Loan by France, for reconstruction of war-damaged industries, by Federal Treasury.....	27,395,000	22,433,000	For aid in the reconstruction of agriculture, commercial and other enterprises which suffered damage due to the effect of the war, utilized through December 1948.
Loan by France, for industrial purposes, guaranteed by Federal Treasury.....	4,868,000	4,444,000	Utilized through December 1948.
China.....	1,977,909,244	n. a.	
Grant by U. S.—Lend-Lease.....	(728,986,592)	728,986,592	} Utilized as of Dec. 31, 1948.
Grant by U. S.—Government and relief in occupied areas.....	45,000,000	41,193,830	
UNRRA.....	517,800,000	517,800,000	* Authorized in the postwar period.
Loan by Export-Import Bank.....	*66,793,750	80,626,331	
Credit by U. S.—Surplus property.....	(79,081,782)	79,081,782	Amount actually shipped through Dec. 1948.
Credit by U. S.—Merchant ships.....	(16,387,120)	16,387,120	
Credit by U. S.—Lend-lease pipe line.....	(51,060,000)	51,060,000	
Commodity loan by Canada.....	60,000,000	60,000,000	
Credit by three Canadian banks.....	12,800,000	n. a.	
Grants and loans—ECA.....	275,000,000	119,700,000	
Grant by U. S.—Special military aid.....	125,000,000	n. a.	
Korea.....	**425,500,009	434,000,000	
Grants by U. S.—Government and relief in occupied areas and EROA fund.....	359,000,000	337,800,000	Total aid and relief supplies reported delivered through 1948.
Aid extended through coal shipments from Japan.....	(30,000,000)	30,000,000	Aid extended is for U. S. fiscal years 1946-49, aid utilized imports through 1948.
Military stock transfers.....	11,000,000	11,000,000	**Presumably other aid not reported must have been extended if Korea has utilized a total aid reported as \$434,000,000
Credit by U. S.—Surplus property.....	25,000,000	24,935,007	
UNRRA.....	(546,311)	546,311	
Japan and Ryukyu Islands.....	1,604,432,225		
Grants by U. S.—Government and relief in occupied areas.....	1,343,258,921	978,067,773	Aid extended is for U. S. fiscal years 1946-49.
Grant by U. S.—EROA fund.....	75,000,000	n. a.	Aid extended is for U. S. fiscal years 1946-49. Aid partially utilized in 1948.
Loan by Export-Import Bank and private banks in U. S.....	60,000,000	n. a.	Loan for purchase of fibers. Largely utilized by end of 1948.
Credit by U. S.—Surplus property.....	16,162,746	13,031,756	
Grant by U. S. Red Cross.....	(12,558)	12,558	
Credit by U. S. C. C. commodity program.....	200,000,000	192,251,055	
Military stock transfers.....	n. a.	n. a.	Considerable quantities of military stocks were transferred to Japanese economy.
Philippine Republic.....	771,011,995	n. a.	
Loan by Reconstruction Finance Corp., 1946.....	75,000,000	70,000,000	For budgetary purposes.
Loan by International Bank for Reconstruction and Development, 1948.....	15,000,000	n. a.	For hydroelectric projects.
Philippine Rehabilitation Act of 1946.....	400,000,000	77,903,616	For war-damage claims.
Do.....	120,000,000	15,188,673	For restoration of public property and services.
Do.....	100,000,000	100,000,000	For surplus property.
UNRRA.....	(7,699,820)	7,699,820	
Grant by U. S.—Government and relief in occupied areas.....	(46,345,615)	46,345,615	
Credit by U. S.—Surplus property.....	(6,966,560)	6,966,560	
Hong Kong.....	4,030,000	n. a.	
Grant by U. K. (Colonial Development and Welfare Act).....	4,030,000	n. a.	£1,000,000 actual grant, for rehabilitation.

¹ Complete statistics on aid extended and on utilization are unavailable. Totals represent reported credits and utilization as enumerated. United States grants, loans, and credits extended or utilized through September 30, 1948, except as noted; other countries, as indicated.

n. a. = not available.

NOTE: Conversions made at the following rates: £1 = \$4.03; 1 piastre = \$0.0637; 1 rupee = \$0.30; 1 florin = \$0.38.

the imports of the area. In the three postwar years 1946-1948, the United States has maintained an uninterrupted leadership in the foreign trade of the Far East, participating to the extent of 43.1 percent in 1946, 39.5 percent in 1947, and 29.3 percent in 1948. In 1946 for the first time in the history of the Far East trade, the United States occupied first place among the principal buyers of Far Eastern products when it purchased 34.3 percent of the value of regional exports. In the subsequent 2 years, however, the United States share declined greatly and by 1948 was only slightly above the 1937 level.

One of the most striking changes in the postwar pattern of trade is the dominant position of the United States as a source of exports to the Far East, due to inability of other traditional prewar suppliers to produce for export. In 1946 and 1947, the United States almost tripled the value of exports over the 16.7 percent of the exports taken by the area in 1937. The ability of the United States to supply and finance imports of goods formerly purchased intraregionally or from Europe explains in part this major trade dislocation. Although the percentage of United States exports to the Far East in 1948 is still more than double that of 1937, return to a more normal pattern is indicated by the drop from 48.0 percent in 1947 to 34.1 percent of total imports of the area in 1948.

Industrial dislocation among the countries of continental Europe and the United Kingdom, coupled with the economic deterioration of the Far East, altered the position of the major prewar participants in Far Eastern foreign trade during 1946 and 1947. As a result of substantial economic recovery by 1948, however, continental Europe had exceeded its prewar share of purchases from the Far East but had not quite recovered its relative share in sales to the Far East. The United Kingdom not only made a rapid recovery in its prewar position as a principal outlet for Far Eastern products, but exceeded considerably its prewar relative importance as a purchaser from the region. It should be remem-

bered, however, that prewar levels of trade have not been attained and that the percentages shown in table 3 merely indicate relative shares of the participants.

Principal Postwar Exports

Prior to the Pacific war, the Far East traditionally supplied world markets with a diversified number of raw materials, agricultural and forestry products, and a limited variety of industrial goods. As a result of the war and general decline of industrial production in the Far East, the composition of exports became less diversified, and the relative importance of individual commodities shifted considerably. Except for rubber and copra, the production of major prewar exportable goods has lagged.

Since the end of the war, rubber has ranked first in value among the leading export commodities of the Far East despite the low level of rubber prices (table 4). Although the position of rubber in relation to other exports has increased considerably from 13.2 percent in 1937 to 30.4 percent in 1946 and 21.7 percent in 1947, the value and volume of shipments in 1947 were, respectively, only 92 and 91 percent of those of 1947. In 1948, however, the physical volume of rubber exports rose to over 1,500,000 metric tons, surpassing the 1937 level by 23 percent, and preliminary estimates indicate that the value figure will reach close to \$550,000,000 and surpass the 1937 value by approximately 15 percent.

The continuing postwar demand for vegetable oil in world markets, together with speedy recovery of copra production in Southeast Asia, has greatly contributed to the high level of the copra trade of the area. In the postwar period, shipments of copra rose from more than 462,000 metric tons in 1946 to a high of nearly 1,190,000 tons in 1947, and amounted to about 940,000 tons in 1948 compared with 970,000 tons in 1937. The volume and value figures of copra shipments in 1947 amounted to 123 and 326 percent, respectively, of 1937 shipments, thus reflecting the substantial rises in price of this commodity since the war.

Exports of rice declined from nearly 7,500,000 metric tons in 1937 to a low of 972,000 tons in 1946, and recovered to about 1,249,000 tons in 1947 and 2,281,850 tons in 1948. This great drop in exports of rice resulted primarily from greatly reduced agricultural production in Burma, Indochina, and Siam and from increased domestic requirements for foodstuffs in the producing countries of the region.

Exports of sugar, which totaled 3,366,000 metric tons in 1937, amounted to less than 1,300 tons in 1946, to 30,000 tons in 1947, and further increased to about 305,000 tons in 1948. Sugar production is gradually recovering from the effects of neglect and destruction of sugar acreage during the Japanese occupation of Indonesia and the Philippines. Exports, however, still remain at less than one-tenth those of 1937.

Principal Postwar Imports

Since the early part of the twentieth century, the composition of imports into the Far East has remained relatively stable. In 1937 the principal groups of imports consisted of textiles and fibers (21.6 percent), foodstuffs (11.5 percent), chemicals, including fertilizers (6.4 percent), petroleum products (5.7 percent), machinery (5.0 percent), iron and steel products (4.5 percent), and vehicles (2.8 percent). While these seven major categories of goods accounted for 57.5 percent of the total value of imports into the area, the remaining 42.5 percent were distributed among numerous groups of commodities. Out of total imports of \$3,420,000,000 in 1937, the groups of imports cited above amounted to \$1,964,000,000 (table 5).

The principal shifts in the postwar period among the major import groups have been the significant increase in the importance of foodstuffs and textile goods and the decrease in the importance of raw materials. The decline in agricultural production, coupled with population increases in the Far East, is reflected in the expansion of imports of foodstuffs into the region. The significance of imports of foodstuffs was particularly noticeable in 1947 when their value reached \$917,000,000 or 234.2 percent of that of 1937, and their position in relation to the total value of imports changed from 11.5 percent in 1937 to 26.9 percent in 1947. In 1948 foodstuffs imports declined somewhat, accounting for 23.8 percent.

The reduced significance of Japan as a major source of textile products for the area, together with the demand for textile goods built up during the war, resulted in a sharp increase in the relative importance of imports of textile piece goods. The relative position of textile and fiber imports to total Far Eastern imports has declined, as a group, in the last 2 years from 23.2 percent in 1946 to 19.6 percent in 1947 and 17.8 percent in 1948. Imports of cotton piece goods, however, still remain on a high level.

The reduction in imports of capital equipment, machinery, and raw materials reflects to a great degree the curtailment of industrial production in

TABLE 3.—Percentage Participation of Leading Countries and Geographic Areas in the Total Trade of the Far East, 1937 and 1946-48

Area	Total trade of Far Eastern countries				Exports from Far Eastern countries to—				Imports into Far Eastern countries from—			
	1937	1946	1947	1948	1937	1946	1947	1948	1937	1946	1947	1948
Total trade	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Per-	Per-	Per-	Per-	Per-	Per-	Per-	Per-	Per-	Per-	Per-	Per-
	cent	cent	cent	cent	cent	cent	cent	cent	cent	cent	cent	cent
United States	18.5	43.1	39.5	29.3	20.2	34.3	25.1	22.6	16.7	47.8	48.0	34.1
United Kingdom	5.7	6.9	8.4	9.3	5.5	11.1	8.4	7.2	5.8	4.6	8.4	10.6
Continental Europe	12.0	6.7	11.0	13.1	12.2	10.6	14.6	16.3	11.8	4.7	8.9	10.8
Belgium	8	5	1.2	1.0	5	4	1.0	6	1.2	5	1.3	1.3
France	2.6	2.8	3.6	3.8	3.4	5.7	4.2	3.7	1.6	1.2	3.2	4.0
Netherlands	2.8	1.2	2.2	4.7	3.6	2.5	3.8	7.0	1.9	5	1.3	3.1
U. S. S. R.	2	4	4	1.1	3	8	9	2.5	1	2	2	1
Far Eastern countries	45.0	26.3	26.8	29.2	45.2	30.7	33.7	32.7	51.0	24.0	22.7	26.7
Other Asia	6.7	6.4	6.7	6.1	6.7	5.1	8.5	7.8	6.7	7.1	5.6	4.9
India	5.7	4.4	4.3	3.7	5.2	3.7	5.6	4.5	6.3	4.7	3.4	3.1
Africa	3.0	4.6	2.2	1.6	4.0	8	4.4	1.5	2.0	5	9	1.8
Oceania	2.4	2.3	2.0	2.3	2.1	9	1.4	1.9	2.7	3.1	2.3	2.6
Other	3.5	7.3	3.0	8.0	3.8	5.7	3.0	7.5	3.2	8.0	3.0	6.4

Basic data for 1946-1948 incomplete.

Source: Basic data from foreign-trade statistics of each country

Japan and the general economic dislocation in other countries of the region. Purchases of chemicals, iron and steel products, and machinery have been greatly reduced since the war. While in 1937 these commodities represented 15.9 percent of the total value of imports, postwar imports have averaged 10.5 percent of total annual imports. Petroleum and its products, valued at \$194,000,000, occupied fourth place among the leading imports in

1937, although this group moved up to third place in 1948. The value of such imports in 1946 was only 56.2 percent of those of 1937, but increased to 97.1 percent in 1947 and 105.9 percent in 1948. Vehicles rose from the prewar seventh to fifth place, and compared in value in 1946 to 78.2 percent of that of 1937, in 1947 to 133.3 percent, and in 1948 to 118.8 percent.

Although the positions of these seven principal groups of imports have shifted

among themselves, their aggregate value relative to the total imports of the Far East has increased substantially during the period under consideration. In 1946 their combined total comprised 67.8 percent of the total imports, compared with 68.6 percent in 1947, 60.7 percent in 1948 and 57.5 percent in 1937. The percentages of imports of all other commodities have remained correspondingly below their prewar levels. Whereas in 1937 their aggregate value amounted to 42.5 percent of the area's imports, during 1946-48 they accounted for only 32.2 percent, 31.4 percent, and 39.3 percent, respectively.

Trade of the Far East with the United States

As previously mentioned, in the prewar years the United States was one of the principal customers and suppliers of the Far East, and occupied first place in the total value of the extra-regional trade of the area.¹ One of the outstanding features of the prewar visible trade between the United States and the Far East was a large export surplus in favour of the Far East. According to U.S. Statistics, the balance of trade in 1937 was \$312,800,000 in favour of the Far East. Before the war, all of the countries except Japan and Siam enjoyed a substantial export surplus in merchandise trade with the United States (table 6).

In the three postwar years 1946-48, however, the importance of the Far East in relation to the total trade of the United States declined from about 20 percent in 1937 to about 11 percent of the total yearly value of the United States foreign trade. In contrast to

² United States statistics are used in this article as a source of information on trade between the Far East and the United States. Differences between United States statistics and those of other countries may result from time lag in arrival of shipments and from differences in methods of evaluation. United States statistics of trade with China, for example, vary considerably from China's statistics on trade with the United States. Since United States foreign-trade statistics record imports by country of origin, Chinese exports to the United States via Hongkong are shown in United States foreign-trade statistics as imports from China, while in Chinese foreign-trade statistics they are shown as exports to Hongkong. Apparent discrepancies in balance of trade between two countries may result because of the use of different statistical methods of recording trade.

Theoretically, total trade of the United States with the Far East (based upon United States statistics) should be equal in value to total trade of the Far East with the United States (based upon official statistics of the individual countries). Actually, for the reasons enumerated, in 1937 the Far East accounted for \$1,313,700,000 or 20.4 percent of the total trade of the United States (based upon United States statistics); the United States, on the other hand, accounted for \$1,304,600,000 or 18.5 percent of the total merchandise trade of the Far East (based upon Far Eastern statistics).

TABLE 4.—Principal Exports From the Far East, 1937 and 1946-48¹

Commodity	1937			1946		
	Metric tons	1,000 U. S. dollars	Percent of total value	Metric tons	1,000 U. S. dollars	Percent of total value
Total exports		3,672,262	100.0		1,082,164	100.0
Rubber	1,270,202	478,763	13.2	739,634	329,217	30.4
Copra	998,578	65,023	1.8	462,674	47,670	4.4
Palm oil	240,760	18,145	.5	8,447	1,909	.2
Tung oil	102,979	26,329	.7	35,264	22,253	2.1
Coconut oil	232,908	28,359	.8	11,093	2,831	.3
Abaca	165,339	21,640	.6	24,463	4,826	.4
Cotton piece goods	2,643,429	164,985	4.5	7,933	198	(²)
Silk, raw	33,960	138,109	3.7	5,994	70,250	6.5
Chrome ore	140,306	1,886	(²)	n. a.	1,374	.1
Iron ore	3,177,117	6,878	(²)	3	(²)	(²)
Tin ore	66,885	52,292	1.4	11,965	11,636	1.1
Tin bars, blocks, etc.	123,943	139,222	3.8	9,301	11,973	1.1
Coal	8,749,415	21,546	.6	50,919	518	(²)
Rice	7,464,200	264,433	7.3	972,000	n. a.	n. a.
Sugar	3,366,028	148,898	4.1	1,291	331	(²)
Tea	153,293	47,438	1.3	14,063	10,158	.9
Petroleum	10,891,515	132,361	3.6	202,388	2,196	.2
Other commodities		1,917,735	51.9		564,804	52.2

Commodity	1947			1948		
	Metric tons	1,000 U. S. dollars	Percent of total value	Metric tons	1,000 U. S. dollars	Percent of total value
Total exports		2,033,926	100.0		2,912,363	100.0
Rubber	1,159,402	442,143	21.7	1,563,373	534,550	18.4
Copra	1,139,673	212,035	10.4	539,472	233,358	8.0
Palm oil	47,628	11,166	.5	86,501	31,715	1.1
Tung oil	80,637	40,740	2.0	82,934	17,705	.6
Coconut oil	63,233	19,563	1.0	93,285	43,925	1.5
Abaca	98,020	31,716	1.6	75,233	30,147	1.0
Cotton piece goods	359,978	53,381	4.1	813,686	74,968	2.6
Silk, raw	1,363	15,838	.8	3,757	23,162	.8
Chrome ore	50,856	1,164	(²)	70,671	4,544	.2
Iron ore				43,538	281	(²)
Tin ore	29,796	31,915	1.6	90,072	72,334	2.5
Tin bars, blocks, etc.	116,968	62,998	3.1	53,577	107,415	3.7
Coal	54,947	1,188	.1	118,246	2,668	.1
Rice	1,294,267	n. a.	n. a.	2,281,880	n. a.	n. a.
Sugar	29,562	4,554	.2	308,839	33,505	1.2
Tea	24,934	14,654	1.7	32,599	16,533	.6
Petroleum	783,068	23,576	1.2	3,847,182	98,011	3.4
Other commodities		1,037,165	51.0		1,887,462	54.3

¹ Statistics not available for some of the items in the postwar period from a few countries.
² In thousands of yards.
³ Less than 0.05 percent.

n. a. = Not available.
² = Less than one-half the unit.
Source: Foreign-trade returns of each country.

TABLE 5.—Imports Into the Far East, by Principal Groups, 1937 and 1946-48¹

Group	1937		1946		1947		1948	
	1,000 U. S. dollars	Percent of total	1,000 U. S. dollars	Percent of total	1,000 U. S. dollars	Percent of total	1,000 U. S. dollars	Percent of total
Total imports	3,419,931	100.0	2,022,054	100.0	3,404,137	100.0	3,288,635	100.0
Food and products	391,673	11.5	531,941	26.3	917,405	26.9	783,083	23.8
Textiles and fibers	737,471	21.6	466,116	23.2	668,842	19.6	583,861	17.8
Chemicals, including fertilizers	220,485	6.4	125,798	6.2	231,241	6.8	118,145	3.6
Petroleum and products	194,348	5.7	109,232	5.4	188,727	5.5	205,863	6.3
Iron and steel	155,379	4.5	28,517	1.4	77,090	2.3	80,894	2.5
Machinery	179,901	5.0	35,914	1.7	130,365	3.8	109,287	3.3
Vehicles	94,214	2.8	73,706	3.6	125,545	3.7	111,885	3.4
Other	1,455,460	42.5	648,430	32.2	1,064,982	31.4	1,265,617	39.3

¹ Group totals for 1946-48 do not reflect the true totals, as some countries do not show a break-down by commodities
Source: Foreign-trade returns of each country.

the smaller portion of United States trade which was shared by the Far East, the United States position in the trade of the Far East has significantly improved, accounting for 43.1 percent in 1946, declining to 39.5 percent in 1947, and substantially decreasing to 29.3 percent of the total trade of the region in 1948 (table 3). Not only has there been a radical shift in the relative positions of the trade of the two regions with each other (the Far East becoming less important in the total trade of the United States and the latter accounting for a much larger portion of the Far Eastern total value of trade) but the balance of trade has shifted from a normal export balance for the Far East to an import balance, which amounted to more than \$2,000,000,000 for merchandise trade alone in the 3 years 1946-48 (table 6). Since the war, with the exception of Malaya and Siam, all of the countries of the region have experienced consistently a trade deficit with the United States. United States statistics further disclose that in 1946 the Far Eastern region had a deficit in its merchandise trade with the United States amounting to \$566,600,000, which increased to \$922,900,000 in 1947, and greatly declined to \$589,500,000 in 1948 as compared with a substantial export surplus of \$312,800,000 in favour of the Far East in 1937.

The sharp contrast between the favourable prewar and adverse postwar balance of trade between the two areas is primarily due to greatly expanded imports into the Far East from the United States and substantially diminished exports to the United States. While in terms of value Far Eastern exports to the United States since the end of the war have recovered considerably and in 1948 were slightly above the exports of 1937, imports from the same period 1946-48, grossly exceeded annually the prewar level, increasing in 1948 to nearly three times the 1937 imports. Because of tremendous rises in prices since 1937, however, the physical volume of the trade between the two regions is still considerably below that of 1937. This rise in prices, coupled with the fact that the terms of trade in general have shifted against the Far East in the postwar period, accounted for the smaller volume of purchases of United States goods than in 1937.

Because of wartime destruction of industrial production of the United Kingdom, continental Europe, and Japan, the Far Eastern countries in the immediate postwar period became more dependent upon the United States, not only as a market for their depleted exports, but also for imports of essential foods, consumer goods, and capital and industrial equipment for reconstruction of their economies. This postwar change of the United States position in relation to the Far East is reflected in the substantial increases in the value of exports from the Far East to the United States.

In 1946 the United States took 34.3 percent of the total value of the Far Eastern exports, 25.1 percent in 1947, and 22.6 percent in 1948, as compared with 20.2 percent in 1937. With regard to imports of the Far East, the United States supplied 47.8 percent of the total in 1946, 48 percent in 1947, and 23.1 percent in 1948, as compared with 16.7 percent in 1937 (table 3).

The substantial decline of imports from the United States in 1948 is attributed to depletion of dollar reserves and continuing universal dollar shortages throughout the Far East, improvement in agricultural production of the area, and, to some extent, increased availability of goods from prewar traditional suppliers—the United Kingdom, Western Europe, and Japan.

The over-all shift of the relative importance of the United States in the merchandise trade of the Far East has also significantly changed the role of the various individual trading countries of the area. Before the outbreak of hostilities in the Pacific, Japan (including Korea and Formosa), Malaya, the Philippines, China (including Kwantung and Manchuria), and Indonesia, in their respective order named, were the principal Far Eastern trading partners of the United States. In 1937 out of the total value of merchandise trade of \$1,314,000,000 between the United States and the Far East, the five countries enumerated accounted for \$1,269,000,000, while the remaining balance was shared by other countries of the area.

TABLE 6.—Trade of the United States With the Far East, 1937 and 1946-48

(In 1,000 U. S. dollars)

Country	U. S. exports			
	1937	1946	1947	1948
Total U. S. trade.....	3,349,167	9,739,482	14,429,747	12,614,200
Total Far Eastern countries.....	500,434	1,021,659	1,582,106	1,402,794
Burma.....	(1)	2,546	5,590	4,525
China.....	49,703	465,199	353,498	240,155
Formosa.....	(2)	116	9,236	5,702
French Indochina.....	2,532	8,077	23,690	14,265
French Oceania.....	707	3,914	5,218	3,036
Hong Kong.....	20,266	46,652	89,479	84,165
Indonesia.....	25,050	73,344	103,591	92,143
Japan.....	288,558	101,861	414,455	323,333
Korea.....	(3)	226	58,662	69,284
Malaya.....	8,836	14,603	65,732	81,995
Manchuria.....	(4)	54	28	2
Philippines.....	85,032	297,367	439,519	467,746
Siam.....	3,682	7,559	13,310	16,350
Kwantung.....	16,068	1	78	(5)
Country	U. S. imports			
	1937	1946	1947	1948
Total U. S. trade.....	3,083,668	4,908,895	5,733,369	7,070,400
Total Far Eastern countries.....	813,240	455,078	659,229	813,321
Burma.....	(1)	1,074	370	1,700
China.....	103,622	92,690	116,705	117,493
Formosa.....	(2)	(3)	285	1,004
French Indochina.....	6,577	41,840	4,291	3,265
French Oceania.....	1,270	1,924	4,291	1,741
Hong Kong.....	9,213	1,481	2,401	3,645
Indonesia.....	115,189	33,770	33,003	76,861
Japan.....	204,201	109,683	35,403	59,683
Korea.....	(3)	35	2,167	51,562
Malaya.....	242,872	126,801	282,842	269,396
Manchuria.....	(4)	14	(5)	2
Philippines.....	126,061	39,712	161,694	227,503
Siam.....	527	5,854	17,797	49,466
Kwantung.....	3,708			(5)
Country	Balance of trade (export balance (+); import balance (-))			
	1937	1946	1947	1948
Total U. S. trade.....	+263,499	+4,830,587	+8,696,378	+5,543,800
Total Far Eastern countries.....	-312,806	+566,481	+922,877	+589,473
Burma.....	(1)	+1,472	+5,220	+2,525
China.....	-53,919	+372,509	+236,793	+122,662
Formosa.....	(2)	+4,951	+19,399	+11,040
French Indochina.....	-4,045	-33,763	+3,547	+1,315
French Oceania.....	-563	+1,990	+87,078	+80,520
Hong Kong.....	+11,053	+45,171	+69,988	+15,282
Indonesia.....	-90,139	-8,022	+379,032	+263,636
Japan.....	+84,357	+231	+56,495	+67,722
Korea.....	(3)	-112,198	-217,090	-187,358
Malaya.....	-234,036	+40	+28	
Manchuria.....	(4)	+257,635	+277,825	+240,243
Philippines.....	-41,029	+1,705	-4,487	-33,086
Siam.....	+3,155	+1		
Kwantung.....	+12,360			

(1) Not available.

(2) Included with Japan.

(3) Included with China.

(4) Included with Manchuria.

+ = Less than \$500.

Source: Foreign Commerce and Navigation of the United States, 1937; Bureau of the Census, 1946-48.

In 1948 the Philippine Republic assumed the leading role among the countries of the Far East in merchandise trade with the United States, accounting for 31.4 percent of the total value of Far Eastern-American trade as compared with 16.1 percent in 1937. Second largest exporter in 1947 and 1948, the Philippines advanced from the third place they held in 1937 when they contributed 15.5 percent of the total exports from the Far East, and shipped 28 percent of the area's total exports in 1948. In 1948, as in 1947, the Philippine Republic not only remained the main destination for United States goods in the Far East, but also increased its share of purchases from 27.8 percent in 1947 to 33.3 percent in 1948, compared with 17 percent in 1937.

The emergence of the Philippines to postwar leadership among Far East countries in the trade of the United States was due in part to loans and grants. A total of \$771,000,000 of external aid supplied was extended principally by the United States under the Philippine Rehabilitation Act of 1946; lesser amounts were supplied by the United States Government for relief in occupied areas, and loans by the U.S. Reconstruction Finance Corporation and the International Bank for Reconstruction and Development (table 2). In addition to this extensive outside financial assistance, exports of Philippine copra accounted for a considerable amount of foreign exchange. This postwar phenomenal trade attained by the Philippines with the United States, particularly the heavy volume of purchases, is of a transitory nature, and, as funds under the enumerated aid programs become exhausted, it is expected that this high volume of purchases will decline. The gradual recovery of production of principal agricultural products, sugar, palm oil, and abaca, will undoubtedly contribute to Philippine dollar receipts in the future. Nevertheless, it is questionable whether the United States characteristic of the last 3 years can be maintained, inasmuch as the over-all trade position of the Philippines will depend in large part upon the dollar earnings of its exports.

Japan occupied second place among the countries of the Far East in total trade with the United States in 1948, accounting for 17.3 percent as against 37.5 percent in 1937, thus registering an improvement over 1946 and 1947 when it occupied third place. The improvement of Japan's position was made possible through substantial recovery plus enormous financial aids amounting to nearly \$1,700,000,000 since the end of the war (table 2). Although Japan was the second largest exporter from the Far East to the United States in 1937, its position has deteriorated to fifth place in 1948; Japan exported 25.1 percent of the region's total in 1937, 24.2 percent in 1946, 5.4 in 1947, and 7.3 in 1948. Japan's exports in 1946 and the relatively high percentage of over-all regional exports reflect ship-

ments of considerable amounts of strategic minerals accumulated during the war which do not reflect exports from production. In contrast to the low volume of exports to the United States, Japan has continued to take a large quantity of imports from the United States. Japan's share in United States exports to the Far East in 1948 dropped slightly to 23.1 percent from the 26.2 percent of the preceding year, in contrast to imports of 57.7 percent in 1937.

The relative position of Japan in United States trade will decline as commercial intercourse is fully restored between Japan's traditional prewar trading partners and as raw materials become available from nondollar sources. The significant decrease of silk exports to the United States will continue to affect Japan's dollar receipts and its ability to purchase from the United States.

In 1948 China was the third leading country of the region in trade with the United States and shared 16.4 percent of the mercantile traffic between the two areas, compared with 13.2 percent in 1937. As a supplier of United States imports China has been able to retain its position as third in importance during the past three years. In 1948 China furnished 14.4 percent of the total imports, as compared with 12.7 percent in 1937 when it ranked fifth among suppliers. China's postwar importance is not due to improvement or rise in exports to the United States but to the declining importance of Japan and other countries whose economies were impaired by the war. China also ranked third as a market for Unit-

ed States exports, accounting for 17.1 percent in 1948, as compared with 9.9 percent in 1937.

As in the case of the Philippines and Japan, the importance of China's postwar trade with the United States was made possible by heavy accumulations during the war of gold and dollars worth approximately \$900,000,000, together with various types of financial and economic assistance extended by the United States and Canada, amounting to approximately \$2,000,000,000 (table 2). The recent advances of Communist forces resulting in the deterioration of the economy, together with exhaustion of China's foreign balance, will undoubtedly depress further the level of trade with the United States.

The position of Malaya dropped from second place in 1937, when its share of the trade between the United States and the Far East was 19.2 percent, to fourth in 1948 when it accounted for 15.8 percent of the total trade. During the past 3 years Malaya has maintained its prewar position as chief source of Far Eastern products to the United States and exported 33.1 percent of the region's total exports in 1948, as compared with 29.9 percent in 1937. Malaya's high position is attributed largely to exports of rubber and tin. Imports into Malaya from the United States, however, are greatly disproportionate to the volume of exports, because of Malaya's membership in the sterling area under which its dollar expenditures are limited by the United Kingdom. Although Malaya increased its purchases from 1.8 percent in 1937 to 5.8 percent in 1948, the increase is attributed to the inability of the United

TABLE 7.—United States Imports from the Far East,¹ by Principal Commodities, 1937 and 1946-48

(Value in 1,000 U. S. dollars)

Commodity	1937			1946			1947			1948		
	Quantity	Value	Percent of total value	Quantity	Value	Percent of total value	Quantity	Value	Percent of total value	Quantity	Value	Percent of total value
Total imports.		2,797,994	100.0		2,455,078	100.0		2,659,229	100.0		2,813,321	100.0
Spices	51,599	318	(2)	25,678	7,735	1.7	28,688	10,858	4.1	21,625	8,260	1.0
Rubber	1,258,480	231,363	29.0	687,290	183,694	40.4	1,419,907	279,639	42.4	1,471,038	273,328	33.6
Tin bars	173,304	91,657	11.5	23,716	12,486	2.7	45,117	34,247	5.2	88,131	81,476	10.0
Copra	408,940	16,439	2.1	759,932	29,330	6.3	1,355,321	107,429	16.3	892,032	110,006	13.5
Tung oil	174,885	20,100	2.5	35,062	11,792	2.6	121,500	35,374	5.4	131,807	26,769	3.3
Coconut oil	337,325	19,886	2.5				21,107	3,643	.6	90,993	18,967	2.3
Palm oil	285,612	10,714	1.3							(4)	(4)	.6
Tea	54,882	8,964	1.1	7,432	3,400	.7	8,166	3,038	.5	13,920	4,910	.6
Bristles	4,164	7,924	1.0	6,315	17,794	3.9	6,991	21,100	3.2	7,154	22,283	2.7
Manila or abaca												
Chrome ore	43,394	7,760	1.0	29,493	5,415	1.2	62,824	23,399	3.5	47,575	17,638	2.2
Tungsten ore	85,479	1,418	.2	45,957	642	.1	202,910	2,045	.3	251,818	3,381	.4
1,000 lb.	8,840	2,529	.3	900	333	.1	7,677	4,454	.7	10,510	5,727	.7
Wood and manufac- tures		4,553	.6		1,688	.4		3,299	.5		7,319	.9
Silk, raw	57,894	106,585	13.4	13,361	127,699	29.1	2,457	15,700	2.4	5,652	15,392	1.9
Rayon and synthetic textiles		4,605	.6		26	(2)		8	(1)		325	(3)
Tin ore	9	(2)		2,382	.5		7,174	6,671	1.0	17,250	19,276	2.4
Cotton cloth												
1,000 sq. yd.	106,494	5,515	.7				2,292	478	.1	12,233	2,483	.3
Other		257,685	32.2		50,452	11.1		107,829	16.3		195,773	24.2

¹ Includes: China, French Indochina, French Pacific Islands, Hong Kong, Korea, Japan, Formosa, Malaya, Indonesia, Philippines, Siam, for all years, and Burma for 1946-48.

² Imports for consumption.

³ Less than 0.05 percent.

⁴ Less than one-half the unit.

Source: Foreign Commerce and Navigation of United States, 1937; Bureau of the Census Report No. FT-120, 1946-48.

Kingdom during the immediate postwar period to supply Malaya with consumer and reconstruction goods. Continued recovery of production in the United Kingdom and Japan will undoubtedly divert imports from the United States.

Although Indonesia retained its prewar fifth place of importance in total Far East-American trade, yet it accounted for only 7.6 percent of that trade in 1948 as compared with 10.7 percent in 1937. It was restored in 1948 to fourth place in export trade, its share of exports in 1948 being 9.5 percent, considerably below the 14.2 percent of 1937. Indonesia ranked fifth as a market for United States exports to the Far East, taking 6.6 percent in 1948, as against 5 percent in 1937. Political developments since the end of the war have not only retarded recovery of export industries but also limited imports of consumer and reconstruction goods. External assistance amounting to more than \$545,000,000 extended by the United States and the Netherlands greatly contributed to the

postwar trade between the United States and Indonesia.

The relative position of Burma, French Indochina, French Oceania, Hongkong, Korea, and Siam in the total trade of the Far East has had very little change from that of prewar. In 1948 those countries in aggregate accounted for only 11.5 percent of the merchandise trade between the Far East and the United States. Burma, French Indochina, French Oceania, Hongkong, Korea, and Siam aggregately accounted for 7.6 percent of exports from the Far East in 1948. Comparable statistics for 1937 are not available. Siam, which held last position among the important suppliers of imports before the war, moved up to sixth place in 1948 and registered the largest percentage of gain—from 0.1 percent of the total in 1937 to 6.1 percent in 1948. Although since the war this group of countries has been purchasing considerably more goods from the United States than in the prewar period, their import trade from the United

States has accounted for only 13.7 percent in the aggregate in 1948. Burmese purchases from the United States are greatly limited by lack of dollars. In the case of French Indochina, civil strife, inability to procure commodities for reconstruction in short world supply, and restrictions requiring purchases from French Union sources where possible have recently curtailed purchases from the United States. Korea's imports from the United States were limited to United States appropriated funds which have amounted to at least \$425,000,000 since the end of the war. In Siam, as in the case of Burma, French Indochina, and Korea, the nature of the agricultural economy and lack of extensive industrialization has confined purchases to minor types of commodities, mostly consumer goods.

The Far East As a Market for United States Exports

Before the Pacific war the composition of imports in the Far East from the United States remained relatively unchanged from year to year. In 1937 the leading groups of imports from the United States consisted of iron, steel, and copper manufactures (27.4 percent), petroleum and products (13.1 percent), raw cotton (11.9 percent), machinery (9.1 percent), other manufactured goods, including textiles and tobacco (7.9 percent), automobiles and parts (6.2 percent), and foodstuffs (2.9 percent). Out of total imports valued at \$1,403,000,000 in 1948, these seven groups accounted for 73.2 percent (table 7).

The most significant shifts in the postwar period among the principal groups of commodities have been the great increase in the importance of imported foodstuffs, other manufactured goods (including textile and tobacco), and the significant decline of imports of iron and steel products, petroleum products, machinery, and raw cotton, reflecting the low level of industrial recovery and accumulated needs for consumer goods. The value of foodstuffs in 1948 reached \$371,000,000 compared with nearly \$15,000,000 in 1937, while their position in relation to the total value of imports changed from 2.9 percent in 1937 to 26.4 percent in 1948. Purchases of manufactured goods (including textiles and tobacco) valued at nearly \$270,000,000 in 1948, against \$39,000,000 in 1937, accounted for 19.3 percent of the total value, as compared with 7.9 percent in the prewar year.

Although shipments of raw cotton increased considerably in value from \$64,000,000 in 1937 to \$118,000,000 in 1948, the relative importance in the total value of imports declined from 12.9 to 8.4 percent. While imports of machinery greatly increased in value from about \$46,000,000 to \$113,000,000, their relative importance dropped from 9.1 to 8 percent. The position of iron and steel products and copper and its products during the period under consideration,

TABLE 8.—United States Exports to the Far East,¹ by Principal Commodity Sub-groups, 1937 and 1946-48

(Value in 1,000 U. S. dollars)

Commodity subgroup	1937		1946		1947		1948	
	1,000 U. S. dollars	Percent of total value	1,000 U. S. dollars	Percent of total value	1,000 U. S. dollars	Percent of total value	1,000 U. S. dollars	Percent of total value
Total exports	500,434	100.0	1,021,559	100.0	1,532,105	100.0	1,402,794	100.0
Foodstuffs:								
Dairy products	1,600	.3	34,227	3.4	49,270	3.1	36,134	2.6
Fish and fish products	1,476	.3	9,650	.9	12,472	.8	12,224	.9
Grains and preparations	4,429	.9	82,471	8.1	284,816	18.6	266,536	19.0
Vegetables and preparations	1,706	.3	25,610	2.5	59,025	3.7	31,499	2.2
Fruits and preparations	3,080	.6	13,004	1.3	14,350	.9	11,009	.8
Vegetable oils and fats	1,429	.3	1,692	.2	2,065	.1	2,150	.1
Table beverage materials	1,035	.2	3,485	.3	4,879	.3	5,796	.4
Rubber and related products	822	.2	2,264	.2	13,294	.8	5,737	.4
Rubber and manufactures	4,331	.9	10,754	1.1	24,945	1.6	22,500	1.6
Tobacco and manufactures	16,412	3.3	63,553	6.2	51,164	3.2	43,771	3.0
Textiles and textile raw materials:								
Cotton, unmanufactured	64,405	12.9	191,236	18.7	134,669	8.8	118,192	8.4
Cotton manufactures	11,812	2.4	77,234	7.6	126,903	8.0	109,502	7.8
Rayon and other synthetic textiles	677	.1	17,051	1.7	33,579	2.2	64,391	4.6
Paper and manufactures	6,182	1.2	23,266	2.3	26,797	1.7	27,628	2.0
Coal	60	.0	1,708	.2	3,306	.2	8,415	.6
Petroleum and Products	65,404	13.1	32,919	3.2	41,944	2.7	37,760	2.7
Metals and machinery:								
Steel-mill products	108,253	21.6	24,962	2.4	154,416	9.9	41,690	3.0
Iron and steel manufactures	6,272	1.2	19,030	1.9	21,238	1.3	19,580	1.4
Aluminum and manufactures	496	.1	4,031	.4	11,600	.7	12,078	.9
Copper and manufactures	22,779	4.6	2,279	.2	4,448	.3	5,200	.4
Electrical machinery and apparatus	9,027	1.8	22,744	2.2	42,139	2.7	34,851	2.5
Engine turbines and parts	2,269	.4	3,841	.4	27,669	1.7	12,216	.9
Construction and conveying machinery	1,940	.4	2,193	.2	6,939	.4	7,216	.5
Mining, well, and pumping machinery	8,546	1.7	4,798	.5	13,077	.8	9,083	.6
Metallurgical machinery	13,096	2.6	2,940	.3	9,220	.6	3,512	.2
Textile, sewing, and shoe machinery	3,054	.6	2,429	.2	3,824	.2	10,996	.8
Industrial machinery, n. e. s.	4,371	.9	5,844	.6	24,920	1.6	22,533	1.6
Office appliances	2,070	.4	1,981	.2	4,807	.3	5,307	.4
Printing and bookbinding machinery	874	.2	822	.1	2,284	.1	2,706	.2
Agricultural machinery and implements	1,597	.3	1,715	.2	8,123	.5	4,614	.3
Vehicles and parts:								
Automobiles, parts, and accessories	31,013	6.2	50,884	5.0	47,231	3.0	50,957	3.6
Aircraft, parts, and accessories	9,260	1.8	3,340	.3	8,709	.6	16,465	1.4
Vehicles and parts, n. e. s.	896	.2	30,522	3.0	28,667	1.8	9,645	.7
Chemical products:								
Medicinal and pharmaceutical preparations	2,673	.5	24,410	2.4	27,070	1.7	27,916	2.0
Chemical specialties	2,274	.5	5,300	.5	8,915	.6	10,965	.8
Industrial chemicals	3,880	.8	11,349	1.1	14,315	.9	12,555	.9
Pigments, paints, and varnishes	2,440	.5	4,352	.4	7,960	.5	7,784	.6
Fertilizers and fertilizer materials	5,232	1.0	1,648	.2	56,419	3.6	42,944	3.1
Soap and toilet preparations	2,504	.5	9,399	.9	7,131	.4	8,873	.6
Photographic and projection goods	3,432	.7	4,176	.4	6,080	.4	3,087	.2
Scientific and professional equipment	1,051	.2	3,404	.3	8,846	.6	5,909	.4
Books, maps, and pictures	3,277	.6	22,361	2.2	17,528	1.1	20,613	1.5
Miscellaneous commodities	553	.1	23,938	2.2	35,353	2.2	45,729	3.3
Other	64,465	13.0	135,433	13.3	65,483	4.2	134,736	9.4

¹ Includes: China, French Indochina, Indonesia, French Pacific Islands, Hong Kong, Korea, Japan, Formosa, Malaya, Philippines, Siam for all years and Burma for 1946-48.

² Less than 0.05 percent.

Source: Foreign Commerce and Navigation of the United States, 1937: Bureau of the Census, 1946-48.

shifted from the first to the fifth place, and while it declined in value from \$137,000,000 to \$66,000,000, its percentage to the total trade greatly decreased from 27.4 to 4.8. Although automobiles and parts have shown a significant rise in value from \$31,000,000 to \$51,000,000, the percentage of their importance to the total imports declined from 6.2 to 3.6. Petroleum and its products, the second major prewar group, has not only dropped from the second to the seventh place in importance, but in value has decreased from \$65,000,000 to \$38,000,000, and from 13.1 to 2.7 percent in relation to the total imports.

Substantial industrial recovery by the United Kingdom, continental Europe, and Japan, coupled with dollar shortages in the Far East, will no doubt divert a substantial volume of imports of industrial and consumer goods from the United States.

The Far East As a Supplier of United States Imports

Commodities entering into postwar export trade of the Far East with the United States have become less diversified, and in 1948 more than half of the total value of exports was accounted for by the five major prewar commodities: Rubber, raw silk, tin bars, tung oil, and copra (table 8). Out of the total of \$813,000,000 value of exports from the region to the United States during 1948, these five commodities accounted for 62.3 percent, compared with \$797,000,000 and 58.5 percent in 1937.

In 1948 rubber valued at \$273,000,000, ranked first among the leading exports, followed by copra (\$110,000,000), tin bars (\$81,000,000), tung oil (\$27,000,000), and raw silk (15,000,000), and, in their respective order, each accounted for 33.6, 13.5, 10.0, 3.3, and 1.9 percent of the total value of shipments to the United States. Although in volume the exports of nearly all of the other commodities declined considerably, the value of the shipments increased greatly since the war.

Salient Features of Postwar Far Eastern Trade

Major changes in the over-all trade pattern of the Far East brought about by the Pacific war and subsequent political and economic instability may be briefly summarized as follows:

- (1) A slight increase in the value of trade as compared to that of prewar trade, due to rise in prices;
- (2) A substantial decline in the volume of exports;
- (3) An excess of imports over exports;
- (4) A decreased volume of intraregional trade compared with prewar, due largely to the reduced role of Japan and the diminished trade in rice;
- (5) An adverse balance of trade with the United States for the area as compared with a prewar positive balance;
- (6) A shortage of hard currency throughout the region; and

Hongkong Stock & Share Market

Stagnant business at well maintained prices characterises the market since several weeks. There is little incentive for buying although a few counters promise in addition to extraordinary yields special bonuses as in the case of Dairy Farm, which company may again consider the issue of new capital when holders should benefit from a cheap subscription price.

On the whole investors are not inclined to take in much new scrip although they realise that yields are out of proportion and unrivalled by anything offered elsewhere in the sharemarkets in the sterling area. Most industrials would return on the basis of last year's dividends 8 to 12% with the majority of companies absorbing themselves the local corporation profits tax of 10% (which in fact further increases the yield percentage).

With the Hongkong & Shanghai Bank shares it is different; the return amounts only to around 5% considering current prices here and in London and the practically guaranteed £ 5 per annum. A few days ago the Bank announced the payment of an interim dividend of £ 2 which is exactly what shareholders expected. It seems that all British banks irrespective of the location of headoffices would not allow shareholders to benefit to a higher extent from the generally very satisfactory working results. Holders of bank shares may regard such investment as a kind of fixed interest bearing security which no doubt has its attractions for a certain group of investors but in Hongkong where on one hand fixed deposits bring between 1 to 2%, Government bonds 3½%, first-class industrial shares 10%, while on the other hand mortgages can be arranged privately at 12 to 14%, bank overdrafts are charged at 5 to 6%, it appears that a yield of 5% is not found interesting by the majority of actual and prospective shareholders in Hongkong. This year on account of the lowering of the official TT London rate shareholders will receive a slightly higher HK\$ amount when the interim dividend payment date comes around. It was significant for the optimistic spirit among investors that the announcement of the £ 2 interim dividend led to an appreciation of the share price about equal to £ 2 or HK\$ 32.

Reports of excellent working results of most local companies keep on seeping out from behind the directors' bamboo curtain. As usual, the Hongkong & Shanghai Bank is the first

- (7) The establishment of rigid trade controls in order to conserve foreign exchange.

Although Far Eastern trade as a whole is characterized by the common features enumerated, the trade of the individual countries comprising the region varies in degree of recovery, dependence upon outside financial aid, and freedom from restrictive controls.

with the declaration of an interim dividend and also starts off the round of annual meetings in the early part of the year. Many local companies could also well afford to pay interim dividends but since it has not been done here before, except in a few cases, it will not be changed now and the public be damned. With more insistence and persuasion it might however appear possible to wheedle out of the stern, ultraconservative directors of Hongkong public companies either some quarterly or semi-annual statements or interim dividends together with a short indication of the progress or otherwise of business. *Qui vivra verra.*

A matter of some urgency would appear to be the introduction of forward business at the local Exchange. The present cash trading makes speculation practically impossible and at any rate most unattractive. But the opposition to trading in futures is strong and important interests here are satisfied that the share market is what it is: a small affair on the financial periphery of Hongkong. Housewives have taken to our sharemarket which proves how good and reliable an investment market it is. But those financial interests which impart zest into a big commercial centre like Hongkong ignore this little sharemarket with its \$1 or 1½ million weekly turnover finding as they do much more accommodating fields in other financial and commercial markets of Hongkong. Some old hands at the Exchange, in understandable pride of their honoured profession, assert that the drowsy atmosphere in the little sharemarket can be regarded as representative of the economic life of Hongkong; another contention is that share quotations can be regarded as Hongkong's economic barometer. If it were so life here would be sour and become a course of jitters with short-lived periods of recovery, whereas in actual fact Hongkong basks in the sunshine of prosperity which arouses if not the jealousy of the Gods, the envy of our neighbours.

Last week's share market

The market last week, as was the case in the previous week, continued in an uncertain mood, though it has had its patch of improved sentiment. The volume of transactions reported remains on the poor side, but scrip is not too easy to acquire. Quotations for Hongkong Lands, China Entertainments and Shanghai Stocks register slight setbacks for the week, whilst the active Local Stocks keep remarkably steady. China Lights (New), Dairy Farms and Watsons have moved in favour of holders.

Volume of Business:—Total Sales reported amounted to 56,008 shares of an approximate value of \$1½ million, a decrease of \$¼ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 128.39 for a net gain

Exchange & Financial Markets

US\$ Market

Highest & lowest rates of last week per US\$100:—notes HK\$624½-600, DD 619-604, TT 621-605, corresponding to crosses of US\$2.57-2.64.

Speculation was reduced as no suitable rumour supporting a firm US\$ rate was making the rounds. Gold prices slumped which led to an increase in confidence in the inherent soundness of £ and HK\$. Throughout the week the undertone was unsteady. Gold importers placed few orders, merchant demand was insignificant. Overseas Chinese remittances were sold in small volume with larger sales expected next week when the mid-Autumn festival is approaching. Manila and Bangkok holders of funds in New York were offering small amounts. The speculators were, for the time being, lying low but preparing for a new hausse which they think may come if demand for US goods in the sterling area, unprocureable via official channels, may turn to Hongkong's renowned facilities.

of .01 compared with the close of the previous week. Day-by-day, averages were: July 11, 128.19; July 12, 128.08; July 13, 128.35; July 14, 128.45; July 15, 128.39.

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	125.05

Dividends:—

The Directors of the Hongkong & Shanghai Banking Corporation have declared an interim dividend of £ 2 per share, tax free, at Exchange 1/2 13/16 payable 15th August, 1949.

The Directors of Vibro Piling Co. Ltd., have declared an interim dividend of 50 cents per share, tax free.

Business Done:—

Hongkong Govt. Loans:— Hongkong Government 3½% (1948) @ 100½ x int.; 100 x int.

Banks:— H.K. Bank @ 1580, 1615; Bank of East Asia @ 115.

Insurance:— Unions @ 660, 655, 650, 655, 657½, 660.

Shipping:— Asia Navigation @ 95 cts.

Docks & Godowns:— H.K. & K. Wharves @ 120; H.K. Docks @ 18½; China Provident @ 13½, 13.10; Wheelocks @ 29½.

Hotels & Lands:— H. & S. Hotels @ 11.70, 11½, 11.70, 11½. H.K. Lands @ 56.

Utilities:— Hongkong Tramways @ 17½; China Lights (O) @ 13.10, 13.20; China Lights (N) @ 9.30, 9½, 9.60, 9.70, 9½; H.K. Electrics @ 33½, 33¾, 33½, 33¼, 33-1/2, 33¼, 33½; Telephones @ 22.

Industrials:— Cements @ 23¼; H.K. Ropes @ 15½.

Stores:— Dairy Farms @ 35½, 35¾, 36, 36½, 37, 36¾, 37 Watsons @ 46½, 46, 46¼; Lane Crawfords @ 25; Kwong Sang Hong @ 130.

Miscellaneous:— China Entertainments @ 15.

Gold Market

As from the beginning of last week (July 11) trading in gold was put on a legally permissible basis by conforming to the Government regulation which exempts from control all gold below 95% fineness. The possession of gold, trading in gold and publishing of information relating to gold transactions is not interfered with provided that such gold is of a fineness below 95%. Thus, public confidence in the local currency has been fully re-established as 'free convertibility' of the HK\$ into gold (as well as foreign currencies) has again become possible.

As a result of the new trading regulation prices of gold dropped but still are, in terms of local currency, above normal levels which however is a consequence of the inflated open market price of the US\$. Gold cross rates have come down to the usual average level of US\$ 47 to 49 per oz. Gold prices, in terms of US\$, cannot be expected to decline further but the open market rate of US\$ is in for a definite clipping, possibly some HK\$ 0.50 in the US\$.

Highest and lowest rates of industrial gold (.945 fine) in the local Exchange per Hongkong tael were last week \$360.00-\$330.00 (adjusted to .99 fine \$377.25-\$345.75), corresponding to cross rates of US\$50½, high, US\$47½, low.

Official and unofficial rates of industrial gold (.945 fine) in and outside the Exchange:—

Monday, July 11:—Opening 360 High 360 Low 351 Closing 352. Change over favoured sellers 10 cents per tael per day. During the week, the change over remained in favour of sellers.

Tuesday, July 12:—Opening 348 High 348½ Low 330 Closing 332½. Change over 13 cents.

Wednesday, July 13:—Opening 331 High 347½ Low 331 Closing 343½. Change over 10 cents.

Thursday, July 14:—Opening 344 High 354½ Low 341½ Closing 346¾. Change over 5 cents.

Friday, July 15:—Opening 346 High 349 Low 337½ Closing 341¼. Change over 19 cents.

Saturday, July 16:—Opening 342 High 346 Low 339 Closing 346. Change over 1 cent. Unofficial business transacted in the afternoon High 346 Low 344.

Tradings, Positions Overbought and/or Oversold, and Cash Turned Over:—

During the week under review, tradings, positions taken, and cash turned over all decreased as compared with week before, caused by quieter markets, smaller fluctuations, continuous liquidations, and the new standard of fineness traded. Official and unofficial tradings of the week about 145,000 taels, or an average of 24,200 taels per day. Positions left open at an average of 98,000 taels per day, in which interest hedging forward operators were the main oversellers but gold importers and Cantonese operators were also oversold. Shanghai operators, after losing millions, still hold on to their majority overbought positions. Swatow and local operators also overbought, and some of the gold importers were overbought in cash bars. Total cash bars turned over: 28,030 taels officially and about 5,500 taels unofficially.

Imports, Exports, Stocks, Consumption:—

During the week under review, over 25,000 taels were imported into the Colony from Macao. Exports began to revive, as prices dropped to a level lower than those of South East Asia ports. A total of over 12,000 taels were exported, with details as follows:—Bangkok 4,000 taels, Singapore 3,000 taels, India and Burma 2,000 taels each, Haiphong and Saigon 500 taels each. These exports although accountable in .945 fine were all in .99 fine bars, for the above mentioned ports accepted .99 fine bars only.

For ready delivery stocks of .945 fine are about 70,000 taels and .99 fine about 160,000 taels, totalling about 238,000 taels .945 fine. Hoarders were losing heavily in value, but still hold on, as most of them are rich refugees who measure their wealth in gold only. About 18,000 taels changed hands by interest hedging forward operators, and about 3,500 taels went into local ornamental consumption.

Market Developments

Rates continued to drop during the whole week with repeated reactions, differences being \$30.00 per tael or about 10%. Aside of the news that South Africa was hoping to raise the world gold prices and the revival of exports from the Colony, all other news and facts were all in favour of bears. The local stocks increased only a little, but still about 200,000 ounces are expected to arrive in Macao. Exports may however further increase thus possibly reducing local stocks after some time. Change over interest decreased very much, but as banks were hesitating to advance loans, future change over rates may still remain in favour of sellers. The rumour that Government may grant the import of 40,000 ounces industrial gold from South Africa was circulated again but no confirmation. The present prices approach overseas cost prices. In Europe prices dropped to US\$45.50 and later to US\$44.50 per ounce.

Silver Markets

Highest and lowest prices of Bar Silver were \$4.70—4.40 per tael, Hongkong Dollar coins 3.00—2.90 per coin, Chinese Dollar coins 4.075—3.70 per coin, and Twenty-cents coins 3.00—2.85 per five coins. With the Kuomintang Government buying silver for coining, bar silver stood firm but after continuous issue of silver dollars coin prices dropped and got nearer to actual world silver prices. The Kuomintang Gov-

ernment concluded a big contract with the Mexican treasury to purchase US\$ one million worth of Mexican Silver Dollar coins at the rate of 73 cents per ounce in weight. The Canton government has not enough silver coins to meet expenditures therefore the Central Bank of China sold again gold in the Canton Market.

Chinese Currency Markets

Hongkong:—Smaller amounts for private not business purposes were transacted here with Shanghai and Tientsin at rates of the Peoples' Bank of China. Two local native banks started to accept remittances to all places in 'red' China. A number of flight capitalists transferred gold and US\$ from North China to Hongkong being not satisfied with conditions there. The rates for such transfers were 2 to 5% in favour of Hongkong (i.e. Shanghai transferor had to pay US\$ 100, receiving US\$ 95 in the Colony).

Remittances to Canton, Swatow other places in Kwangtung, Amoy and other places in Fukien were done in HK\$ and US\$, the silver dollar although being the legal tender not enjoying popularity in South China. The KMT authorities do not interfere although they have prohibited the circulation of foreign currencies in South China.

Canton:—There was no change in the financial situation; HK\$ remains the general means of payment. Silver dollar certificates of the Central Bank

of China are unpopular and sell at 2 to 3% discount against actual coins. Redemption of certificates is quick and regular as the community prefers to keep hard coin.

The mint in Canton could only produce 35,000 dollar coins per day, much less than was anticipated. Foreign silver coins were imported by the Canton govt. and large orders for coins from abroad are outstanding. In terms of HK\$ silver coins dropped; the return to world market price levels is expected shortly. The days when, for no logical reason, the Chinese minted coins commanded a very high premium over foreign silver coins, although of the same weight and fineness, are drawing to a close.

Shanghai:—Cost of living was soaring. Rice per picul (78 kgs) cost end of last week PB\$ 60,000. The black market rate for US\$ was over PB\$ 3,000. The official rates of the Bank of China were advanced to PB\$ 1,950 per US\$ 1 but no business was reported as foreign trade had come to a standstill following the KMT blockade. Floods and production bottlenecks were aggravating an already serious position which the authorities in Shanghai seem unable to master.

Unofficial Exchange Rates

Bank of England notes quoted from \$17.10 to 17.42. As New York paid only between US\$2.86 to 2.95 it was no longer remunerative to buy pound notes here for export to the US. At the same time larger arrivals of tourists and more martial people brought ample supply which was countered by native banks with a reduction in price.

Australian pounds quoted from \$14 to 14½, a drop against the previous week as prices in the US receded. Canadian dollar at \$5.60-5.65. Malayan dollar at \$1.84½-1.85. Indian rupee \$1.22 to 1.22½. Burmese rupee \$0.84. Ceylon rupee \$1.01. Philippine peso from \$2.95 to 3.03.

Piastres (per 100) from \$12.85-13.37. Nica guilders \$34½-35½, Baht notes \$26.20. Macao pataca \$1.32-1.36.

HONGKONG OPEN MARKET RATES

per US\$100

July	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
11	6.24½	6.15	6.19	6.12	6.21	6.12½
12	6.16	6.00	6.14	6.04	6.14½	6.05
13	6.13	6.06	6.12	6.08	6.13	6.09
14	6.18	6.09	6.16	6.10	6.17	6.12
15	6.14½	6.06	6.13	6.08	6.14½	6.10
16	6.12½	6.09	6.10	6.09	6.11	6.10

COMMERCIAL MARKETS

The most disturbing effects of the heavy and still rising floods in China have been the slowly rising costs of commodities and foodstuffs here which have given occasion for Government inquiry. Most notable were higher prices for fish and vegetables and almost all goods imported from China. While it is hoped that the floods will soon recede and communications may resume normal conditions the heavy damage done to crops in the affected vast areas may lead, in many instances, to a prolonged high cost of China produce. The local population has felt the rising tendency on the food markets and consequently various Government departments here have tried to work out a better supply system for the benefit of the consumers. As far as food from China is concerned the local authorities cannot well be expected to bring costs below the level of Canton or other South China cities. It is the small man again who is hardest hit by the advance, temporary as it may prove to be, in food prices. Some repercussion on the labour-management relationship may be expected in case of so-called essential foodstuffs remaining on the current high level.

The local community has heard of the disastrous calamities now visiting North, Central and South China when millions of farmers are displaced by the summer floods and very little is being done, or can be done, to relieve their sufferings. Considerable amounts of money have been collected here by civic organisations and religious and other charities which should, if quickly delivered to the affected areas in South China, go a long way towards saving lives and properties. The recurrent floods in South China have been stolidly accepted by the rural and urban population and while dyke repair and new construction questions have been regularly discussed in China very little has been actually done. To the stoic country people it appears as if there was no human solution to the ravages which the floods have wrought in the past and to the fatal inundations which occur with the regularity of the seasons. Every central and provincial government in China has, at its respective inauguration, proposed plans for combating the floods and erection of dykes but for reasons of internal war, corruption, inefficiency and lack of trained men and funds, all these plans proved futile in the end. This year's floods have been heavier than was recorded for many years; the destructions suffered by the country during the many years of war and the recent internecine struggle have aggravated the risk to which large tracts of China are exposed by the inclemency of nature.

Trading with North China and Shanghai has not undergone any change for the better; communications with Korea are even regarded as unsafe as the Chinese (KMT controlled) navy and air

force have tried on two occasions to intercept foreign vessels which were under suspicion (and probably rightly so) of conveying goods, via Inchon, to Communist held North China. Trade figures for Hongkong-Korea trade will show, for June and July, heavy increases over previous months as much cargo destined for China had to be loaded on Inchon bound ships, ocean communications with North China ports being, to all intents and purposes, impossible. Still, there are some indications that smaller craft have succeeded in entering North China ports.

The KMT proclaimed closure of ports under Communist control is operative and is showing, for the Communist authorities and the people living in such areas, increasingly unfavourable effects, particularly higher cost of living and more activity on the black currency and commodity markets. The refusal by Britain and the U.S., and recently endorsed by Sweden, to recognise the legality of the closure of 'red' held ports has not had any effect beneficial to commerce. The majority opinion of Chinese, irrespective of political sympathies, is unchanged, viz. that the foreign powers are wrong in opposing the Canton Govt. decision to blockade ports held by their adversaries in the civil war. The all-too-mercenary interests of foreign businessmen, and their governments who back them up, have come in for scathing attacks both by politically unaffiliated Chinese and, naturally, by KMT adherents, the Communist sympathisers meanwhile looking on, almost with disbelief, hoping for some foreign naval action against KMT naval raiders so that the principle of 'business as usual' shall not be violated. Hongkong's traders are congratulating themselves that the blockade has not been recognised by the British and American Governments, and the legalistic finesses of their respective state chancelleries find much chuckling approval—however, communications have not improved and remain virtually suspended as the various shipping companies have no intention of risking their ships in running the blockade, inefficient as it probably is. And then, if meeting with unpleasantness, confront their governments with claims for due transmission to the Canton Govt. The stability, financially and geographically, of the Canton Govt. is doubted and astute shipping companies prefer to keep their ships idle rather than risk harm.

Smuggling between Hongkong and South China is again prospering as a result of the increased trade and exchange controls of the Canton Govt. In order to earn some revenue the authorities in South China try to collect 20% of export bills paying exporters in silver dollar certificates, which are convertible, at the official rate of the day. This system should not actually lead to opposition on the part of Chinese

exporters as the official rates as quoted by the Central Bank of China, Canton, are reasonable. However, such is the distrust in the authorities—well deserved from the misdeeds in the past—that exporters prefer smuggling to surrender of 20% of their proceeds abroad. Another incentive to smuggling, of foreign goods into China, is provided by the periodically more severe prohibition on so-called non-essential commodities. A large army of smugglers, having nothing else to do to earn a living, is ever ready to get the goods into China, prohibition or no prohibition. Charges have declined as smuggling organisations and freelances are so numerous that cut-throat competition developed. Traditionally, communications between Macao and Kwangtung are unimpeded and therefore a large volume of Hongkong's trade with South China is directed via Macao. The intermediaries, to use a more respectable word, are making a good living in the Portuguese colony and dread the day when the Chinese authorities will do away with all controls—or alternatively enforce them with un-Chinese-like efficiency.

Business with Siam has of late improved as not only is there an advance in the general purchasing power in Siam but the season for contracting goods from abroad has set in.

Trade in Bristles

Hongkong has become since early this year the chief market for China bristle exports and stocks have accumulated over the past months thus depressing overseas prices. Exports this year were far in excess of any previous records, a result of the routing of trade via Hongkong. Hankow, Tientsin and Shanghai—the ports which previously handled the majority of bristle business—are now cut off from foreign commerce but even if ships are again calling on Shanghai and Tientsin, and Hankow produce can be moved down the Yangtze, the transit trade of Hongkong will continue to boom.

The local price position is giving bristle merchants a headache; New York, the principal market, is both reducing orders and prices thus leaving local dealers with hardly any other chance than to sell at cost, even at a loss or otherwise sit on their cargo until better times come around. There are many pessimists who have little faith in a better market, they foresee the gradual decline in the bristle business and its eventual elimination with synthetic bristles taking over the field of paint brushes.

For the current year and in 1954 there should however be ample opportunity to continue with bristle shipments from China, Manchuria and Korea to Hongkong where re-exports, at world market prices, will be effected as long as hogs are living and paint brush manufacturers do not find a better substitute. Prices should further recede and the bristle dealers, in the country, are bound to adjust them-

selves to the new situation or go without any business. The bristle market here and in China is the weaker party in the trade and must accept overseas prices which are, after all, not unreasonable, reflecting as they do the general price recession in the US and the changed attitude vis-a-vis China produce. By & large, China produce—with few exceptions like wolfram ore, tin and antimony—is put at a disadvantage in the world markets today. We are in a buyer's market and it is the buyer who dictates the prices. As China has little to offer in the way of essential produce, her export mainstays remaining tung oil and bristles, the buyers abroad can well afford to put the screws on the producers in China. With the extension of 'red' control over China there will be less sympathetic consideration of China export produce in New York and in many other world markets.

A further reduction in price is anticipated which will lead to a decline in the foreign exchange earnings of China as a whole. The price slump however should not impair Hongkong's entrepot business. What bristles of China origin are to be sold will largely pass through this Colony and profits, handling charges etc. will continue to be earned.

Gunny Bags

Hongkong has been shipping large quantities of new gunny bags to the Union of South Africa although the re-export of this commodity, almost a monopoly of India and Pakistan, to race-conscious South Africa was always taboo. By devious routes and ingenious methods the goods were delivered to South Africa and many Indian and Paki merchants took part in this profitable venture. Since it is a rather mad world in which we live it should surprise no adult that within the Commonwealth of Nations and the sterling area a real first-class trade war is now on for about 2 years.

The cause for this anomaly is the South African government's desire, backed by the vast majority of the white and indigenous population, to rid themselves of the Indian immigrants, a group of people who have become conspicuous in the retail trade in certain areas in the Union. The Indian government defies the Union's measures taken against the Indian immigrants and among other ideas they hit on the embargo on gunny bag exports to South Africa thus hoping to put some pressure on the determined Boers and British, not to forget the natives who prefer direct action to legal procedures. The Indian authorities however failed to take into consideration the human weakness for making money especially if it is of the big and easy variety. Many foreign ports offered themselves as convenient transshipment centres for gunny bags to South Africa. Hongkong was one of them and it would have been a disgrace to the fair name of this

Colony if local merchants had not proved once again their inimitable resourcefulness.

One of the best developed ruses to get gunny bags to South Africa was by loading them aboard Dutch ships sailing via Batavia to South African ports; the cargo was declared as consigned to Indonesia but en route the port of discharge was changed to South Africa and the bags duly arrived at their proper destination. The British authorities all over the world were called upon to assist India in enforcing the embargo and thus Hongkong Government only allowed the re-export to Batavia if the British Consulate there certified that there was to be no 'monkey business'. Other round-about ways had to be found, and were found.

Hongkong being always a large exporter of gunnies to China has now become, due to the political conditions in North China and Shanghai, the principal supplier of China, not only of gunnies but most commodities needed in both Chinas. Indian and Pakistan quotas for gunny bags to Hongkong are relatively large but still far from what Hongkong really can sell. The transshipment of gunny bags to South Africa, which never ceased, is however making it difficult for Hongkong traders to secure better supplies from India where a host of safeguards of the legal type have been invented so as to cut off South Africa from Indian gunnies. The ingenuity of local and Indian merchants is challenged by ever more papers and guarantees demanded by the Indian authorities. Meanwhile, a fair volume of gunny bag trade flows through Hongkong.

Bunker Coal and Oil

There is a large supply of bunker coal and oil available in Hongkong which is sufficient to supply the needs of all consumers for a long time. Prices have been reduced some time ago. Current T.I.B. prices are \$102 for Indian coal, \$100 for South African and \$88 for Japanese coal (per ton). No Samarinda and Russian coals are available at the present time.

Formosan Sugar Production

Formosa is the chief country for sugar cultivation in the Far East, excluding the Philippines, and Hongkong is at present the centre for exporting it. The production of Formosan sugar last year amounted to 630,000 tons, ranking next to Hawaii, Cuba, and Africa, and for the first half of this year exports were: Japan 100,000 tons, Great Britain 50,000 t., Pakistan 20,000 t. and Siam 10,000 t., in all 180,000 t. leaving a balance still available for export of 450,000 t. Prior to the present troubles, China took anything up to 200,000 t. a year, but with the greater part of this market closed, through the KMT closure of Shanghai and other ports in Communist hands, exporters will have to look elsewhere

for disposal of the large surplus. Possibilities are being explored of increasing exports to Malaya, Indochina, Burma and other countries.

Trade with Tientsin

The Chinese Maritime Customs report for May shows that imports amounted to People's Bank \$1,341,072,293 compared with P\$657,204,571 for April, or an increase of P\$683,867,722. Exports came to P\$1,987,700,950 as against the April figures of P\$630,763,301, an increase of P\$1,356,937,649.

The bulk of the exports from Tientsin, or 60.52%, were despatched to Hongkong, the United States came next with 27.87%, and Great Britain third with 5.55%. Exports consisted mainly of eggs valued at P\$217 million, followed by groundnut oil with a total of 7,141 quintals to the value of P\$196.2 million, and bean cakes with a total of 80,382 quintals; piece goods, mainly grey sheetings and drills, came to 820 quintals, a drop of 410 quintals against the April figure of 1,320 quintals; rugs amounted to 1,243 quintals, an increase against the quantity of 837 quintals for April; exports of bristles totalled 27,220 kilos.

China's Cotton Industry

The industry has been built up during one or two generations, most of the mills were erected after the war of 1914/18, and many of the big concerns are still managed by the founders or their sons. The industry today employs about 120,000 people in Shanghai alone, in addition to which there are a large number of people engaged in subsidiary undertakings, such as the manufacture of bobbins, shuttles, sizing material, machine parts, transportation, etc. The production is about 900,000 bales of yarn and 11½ million pieces of cloth per annum. Importance not only attaches to the point of giving employment to so many people, but also to clothing the Chinese. Before the cotton industry came into being, imports of piecegoods had been tremendous, whereas now China even manages to export.

At present about 37 percent of the spindles and 60 percent of the looms are under the control of China Textile Industries Inc., a government concern, who is running the former Japanese mills. Sixty-two percent of the spindles and 35 percent of the looms are owned by Chinese firms, and one percent of the spindles and looms by British companies. Before the war the percentage of the British mills was considerably higher, i.e. over 4 percent, but during the occupation of Shanghai by the Japanese the greater part of their machinery was either destroyed or removed.

During profitable times the bulk of the profits were used by the private companies to modernize their plants, i.e. the latest types of machinery were ordered. The mill owners realized that they had to streamline and modernize their factories in order to be competitive, having in mind the keen competition from Jap-

anese mills which the Chinese manufacturers had great difficulty in overcoming before the war.

Indonesia's Export Promotion

The Indonesian Government has announced the establishment, within its Department of Economic Affairs, of a Bureau for Export Promotion, charged with stimulating the export of native agricultural export crops, especially rubber, rattan, resins, and kapok. The production and export of copra, however, remains under the control of the Copra Fund. In addition to the present incentive of granting exporters a certain percentage of the foreign exchange derived from the sale of their products, a procedure already extensively used in stimulating production of native rubber, the new Bureau will provide further incentives by granting the exporter a subsidy to compensate for the difference between high production costs and relatively low export prices. The subsidy is to be passed on to the native producer and will be financed from the proceeds of the free sales-profits tax. The new subsidy went into effect in South Borneo on April 1, 1949.

Burmese Wolfram Ore

Tungsten production in Burma is gradually recovering from the effects of the war, but complete recovery cannot occur until political conditions become more stabilized. Mining companies hesitate to invest more capital until the situation improves. Prior to the war, Burma was the world's second largest source of tungsten, producing a yearly average of 6,000 metric tons of concentrates, containing 60 percent WO₃, during the period 1935-39.

The Mawchi mine, considered to be the world's largest tungsten mine and an important tin producer as well, accounted for about half of Burma's output of tungsten prior to the war. Current production is only a fraction of the prewar monthly output of 450 tons of mixed tin-tungsten concentrates. The equipment damaged and destroyed during the war has been replaced and the mill rebuilt with a monthly capacity of 300 tons. Operations commenced in February 1948, and by August production had reached 130 tons but declined to 60 tons in December because of a stoppage of mining supplies from Rangoon. Production during the period February-December 1948 averaged about 75 tons monthly. The company is ready, however, to increase monthly output to 300 tons within 18 months after shipments of mining supplies are resumed.

The other half of Burma's tungsten output comes from numerous dredgers, sluices, and mines in Tenasserim, about 45 percent of which have not resumed operations as a result of lack of capital for reconstruction purposes.

Prior to the war, Burma shipped substantial quantities of tungsten concentrates to the United Kingdom. Most of the postwar exports have consisted of unfinished prewar stocks, but some newly mined tungsten has been exported since mid-1947. During the fiscal year ended September 30, 1948, exports of 250 long tons of wolfram concentrates and 2,938 tons of mixed wolfram and tin concentrates were reported.

British Steel and Coal

International statistics issued last week show that Britain is well ahead of Europe—excluding U.S.A.—and the rest of the world in the production of iron, steel and coal. Her output of pig iron in May was 746,000 tons, next best (excluding U.S.A.) being Bizonia Germany with 604,000. British crude steel production in the same month was 1,250,000 tons compared with the 750,000 of Bizonia and 328,000 of Belgium. (May figures for France are not given; French steel output in April was 738,000 tons). Britain's total output of hard coal was just under 19,000,000 tons compared with 8,400,000 in the British Zone of Germany, 6,100,000 of Poland and 4,300,000 of France.

Britain is also the only country in Europe that has exceeded prewar output per manshift for deep-mined coal, the rate being 102% of 1937. The Ruhr follows with 91%. The total output per manshift (that is including opencast mining) is shown as 108% of 1937 for Britain, 85% for France and 82% for Czechoslovakia.

Radio Rediffusion

The British firm which has recently set up a successful radio diffusion service in Hongkong is introducing a similar service in Malaya. Singapore will have a broadcast relay system ready for use this month and it is planned to extend similar facilities soon afterwards to Kuala Lumpur.

This system of broadcast relays by which a large central receiving station rediffuses radio programmes to loud speakers in private households, thus eliminating use of individual radio set, has long been popular in Britain and in such areas as Bermuda, Trinidad and Malta. User of this service is not confined to one programme but can by use of a simple switch have choice of two or three if available. The popularity of this service in the Far East is indicated by the fact that since this firm started the rediffusion system in Hongkong in March this year, 5,000 people have become subscribers. The firm takes care to ensure that radio service to its subscribers shall be as perfect as possible. A training scheme is in operation to provide senior personnel both for home and overseas to look after the necessary technical details of the system. In practice the firm is finding that its experienced home staff are being called upon to fill overseas positions while home posts are being filled by young graduates from the training scheme.

HONGKONG COMMODITY MARKETS.

Industrial Chemicals

The general tone of the market continued to be dull. With the exception of a few items of which there was a shortage in stock and others which are enjoying wide demand all the other chemicals remain on the easy side.

Oxalic acid. The crystal form in wooden barrels Dutch origin is about \$1.20 per lb., the granular form about 5 cents cheaper. Dealers indented their goods at the end of last year at over \$1.40 per lb cif. As in the past few months, due to almost complete absence of inquiries the market cannot but move downward in spite of the scarce stock.

Camphor. Camphor is widely known as an insect repellent agent for clothing and is also widely used in the industry for making smokeless gunpowder and celluloid. Japan, Formosa, and China are the centres of production in the world. The Japan origin Fan brand about 99½% pure sold in market around \$2.15 per lb. It has advanced up as compared with a few weeks ago at \$1.80.

Stearic acid. Argentine origin single pressed sold at \$1.10 to \$1.12 per lb. for a few tons.

Tartaric acid. Due to the shortage of citric acid and heavy demands by the aerated water factories, this chemical has been taken as a substitute. It is a related chemical to citric acid. The 1 cwt plywood drums English origin sold \$1.60 per lb.

Borax. The market is not so active as before. The 100 lb paper bags USA origin granular form sold for small tonnage at \$22 per bag. The ICI 1 cwt burlap bags crystal form sold \$42 per bag.

Zinc oxide. Market firm. Japan origin 50 kg galvanised iron drums with export permit about 66cts. per lb, 50 kg wooden barrels at 65cts. If no export permit, price may be 1 to 2 cents cheaper.

Sodium bicarbonate. It is demanded by aerated water factories, and as stock begins to decline the ICI Crescent brand 100 kg burlap bags rose from \$38 to \$39.50. The market may be anticipated as steady.

Phenol. Market downward. Although the stock is still short, yet large shipments will soon reach Hongkong. The demands apparently not urgent and purchases reduced, it is anticipated that the price will decline upon ships' arrival. USA Monsanto 450 lb galvanised iron drums sold at \$1.25 but some lots sold at \$1.30 per lb. The Australia origin 448 lb drums sold \$1.25.

Glycerine. As hundreds of drums of 560 lb galvanised iron drums arrived from Holland, the market suddenly came down to \$2.10 per lb. But small quantity for repacking in 50 lb tins sold 10 cents higher. This Dutch glycerine is of CP quality. As the latest indent price is HK\$1.60 per lb cif, it is thought that there will be a further drop.

Saccharine. The up and down movement was large in the past week. Monsanto granular soluble 1 lb tall tin old packing from \$16.70 to \$25 per tin, but within one day from \$25 down to \$19. At the end of last week it remained around \$19 to \$20. The market was so active after being stimulated by Korea, Japan, and Canton buyers. Although the market of this Monsanto packing is so erratic, yet other brands such as Cocotree brand 1 lb tin was sold \$8.50 per tin. The price should never be at such disparity but brand is the value of this commodity.

Caustic soda solid. Business through the whole week at low ebb. 700 lb drums USA origin is around \$158, but some broken drums were as low as \$152 per drum. The 672 lb drums Crescent brand is about \$173.

Glacial acetic acid. 45 lb carboy Dutch origin was sold 90 cts. per lb only. Market is quiet.

Ammonium chloride. As the ammonium sulphate fertilizer market was active, this chemical was affected. Australia origin 1 cwt bags sold \$560 per long ton.

Sodium sulphide solid. Most dealers are of the opinion that future market trend is up but the present condition is quiet. The about 700 lb drums USA origin sold \$620 per long ton, ICI Chinchin brand 5 cwt drums sold \$740.

Talc powder. The chief component is magnesium silicate, however, there are many grades. It is used for making dusting powder. The USA origin 50 lb paper bags was sold \$410 per short ton, the India origin 100 kg burlap bags about \$420 per long ton. This Indian product appears better as the color of the American product is more glaring.

Bright liquid gold. Hanovia 28 gram bottles is about \$34 per bottle. Notwithstanding the gold price dropping in the last week this liquid gold cannot be expected to follow as it is indented at US\$5.85 per bottle. When gold price went over \$600 per tael, the liquid gold price did not jump.

Calcium carbonate. The precipitate grade USA origin 50 lb paper bags sold \$400 per short ton, that of Japan origin in burlap bags is about \$200 per long ton.

Lithopone. Dutch origin 50 kg bags sold 41 cts. per lb.

Extract of Mimosa. Elephant brand 1 cwt bags sold \$68 per bag. It has come down a few dollars as compared with last months.

Extract of Quebracho. Crown brand 105 lb bags sold \$85 to \$84 per bag for hundred bags. At the end of last week sellers ask \$83 only.

Sodium hydrosulphite. 100 catty drums English origin sold \$155 per picul. The France origin 112 lb metal drums with plywood drums outside at \$140 only.

Rosin. WW grade about 500 lb barrels USA origin sold \$80 per picul. WW means water white. This is the highest grade of rosin. Although it is nominated as WW, yet its color is not so clear as water but rather transparent.

Potassium ferrocyanide. This is generally used in photography, and some for steel industry in the refining of steel. A few lots sold at 95 cts per lb.

Compressed ammonia gas. It is used by the ice makers. The 50 lb cylinder was sold \$210 each.

Sodium cyanide. Market easier. 50 kg drums English origin about \$1.00 per lb.

Lamp black. 187.5 lb ICI Fortress brand sold \$225 per case. Rather big business was recorded last week.

Red lead. It is used as a pigment when mixed with paint but chiefly for painting ironware and ships. The 560 lb wooden barrels Australia origin was sold \$125 per picul.

Citric acid. The stock is extremely short. Only small lots at \$2.50 per lb.

Cotton Piece Goods

The piece goods market was quiet, except for activity on the part of Canton dealers who were returning certain lines to that city in anticipation of demands from Swatow, Amoy and Formosa. Prices in general rose by 50 cents and \$1 a piece: Grey sheetings, mammoth bird sold at \$49.50 and \$50 per piece, flying goose was offered at \$45.50, fairy eagle started at \$46.50 and rose to \$48.50. Black cloth Hing Fung sold at \$63 and ended at \$64.50 the previous price being \$59. Yu Tai fetched \$48.50 and \$49.50 a rise of around \$2.30, bat & tripod rose by \$4 to \$66.50. White cloth, Hsun Liang Yu fetched \$48.80 and \$49.50, fountain hill sold at \$53 and \$54. Purple cloth, Hsun Liang Yu sold at \$73.50 rising to \$78, bee & monkey sold at \$74 and \$79 an increase of \$7 per piece.

Artificial Silk

Buyers from East Africa were very active filling requirements for artificial silk yarn; the Japanese product was the favourite, followed by Italian yarn. However, future prospects for this market are not considered too good, as the price of artificial silk yarn is high. Japanese rayon shioze No. 120 red seal rose from \$1.30 a yard to \$1.37 and forward delivery improved from \$1.25 to \$1.30. Buyers from Canton and Korea were also in the market for Tenkyo artificial silk yarn, which sold at \$4 to \$4.10 per lb.

Woollen Knitting Yarn

At the opening of the market woollen knitting yarns fell in price, with the lessening of demands from Canton. Later, however, buyers from Chungking, Kunming, Kweiyang and Formosa came into the market anticipating their usual requirements in view of the critical conditions prevailing in South China. This created a shortage of stock, due to the inability of the Shanghai mills to execute delivery and a reduction by about 40% in supplies from Great Britain.

Beehive 4 ply fell from \$17 per lb to \$14.50 and then rose to \$18.50. Cuckoo 4 ply dropped from \$14 to \$12 and rose to \$16.50, the indented price having been \$7.25, peony brand at 10 days delivery sold at \$8.20 for a quantity of 7,000 lbs.

Metals

The metal market continued dull on the whole, though at present unaffected by the British Government's decision to cut down purchases from the gold dollar areas as stocks on hand are estimated at around 20,000 tons and fresh arrivals are expected. Importers are ready to increase trade with the Sterling area provided their orders can be filled. Tientsin and Shanghai buyers were active with purchases of galvanized mild steel sheets, thin, evidently in the hope of being able to effect shipment before long; a shipment of 200 tons from Japan en route for Hongkong was sold forward with 3' x 7' at \$8.20 per piece and 3' x 6' at \$7.20; after arrival 3' x 7' sold at \$8.60 per piece. The British and Belgian makes were handicapped by higher prices than the Japanese, the British 3' x 7' stood at \$10.70 and the Belgian at \$11 per piece. A cargo of galv'd mild steel sheets, thick, arrived from Japan, and G24 2.5 ft. was offered at 55 cents per lb, G26 at 62 cents. Buyers from Siam were in the market for mild steel plates, but as there were no stocks on hand of the Belgian product this gave holders of British and French mild steel sheets an opportunity: 1/32" which had previously fallen to \$60 per picul rose to \$80 with sellers holding back in anticipation of better prices, 1/16" and 3/32" were offered at \$53 and \$54 respectively, 3/8" rose to \$51 an increase of \$3, 1/2" was offered at \$56 while 5/8" stood at \$57. Buyers from Formosa and Tientsin were requiring Japanese galv'd corrugated roofing iron sheets, but stocks were low and prices rose accordingly: G26 3' x 8' went up to 67 cents per lb, G28 stood at 72 cents, G24 at 58 cents and G24 3' x 9' at 56 cents. USA black iron had a good export market: G29 20" x 28" rose to \$37 per picul and 20" x 30" to \$38, while G18 to G24 improved to \$36. Zinc sheets were dull and prices fell in expectation of the arrival of shipments from Poland and Japan: Japanese zinc sheets fell by \$5 to \$90 per picul while the Polish product remained firm at \$92 per ton, even at this difference in price the Polish product had the preference as buyers were doubtful of the Japanese quality; Japanese G4 was offered at \$120 per picul. G5 fell to \$105, G6 to \$100, G7 to G8 to \$117; the new shipment from Poland showed a reduction in price from \$90 to \$88, the indented price of G6 was £82, compared with last year's price of £135 for Belgian zinc sheets; spot cargo prices were G4 at \$118, G5 at \$114, G6 at \$100, G7 at \$117 and G10 at \$130. As no demands were forthcoming from North China for mild steel bars of different descriptions, they were offered to local dealers at reduced prices in order to clear, notwithstanding that this led to losses against the original indent price. French 40" thick round bars, the favourite, fell from the indented value of £27 to £26 per ton, and flat, square & angle bars dropped to £26.10s. Doubts as to whether indent prices would continue to fall, caused importers to hesitate over placing large long-term forward bookings. Spot

prices were: round bars 40 ft. $\frac{3}{8}$ " fell to \$33 per picul, $\frac{7}{8}$ " to \$31, $1\frac{1}{4}$ " to $1\frac{1}{2}$ " to below \$40; square bars 20-22 ft. fell by \$3 to \$4 per picul; flat bars stood at \$41 and \$42, a fall of \$2 to \$3; angle bars, being required for manufacturing military beds, remained steady at \$43. Large shipments of galvd. pipes from the United Kingdom were landed in June for various local concerns, about 260/300,000 ft. being delivered. Previously British pipes held the market, but competition has now arisen from French galvd. pipes, which are about 20% cheaper than the British, and from Japanese pipes which are cheaper than either, being from 3% to 4% less in price than the French. The bulk of the future orders went to France, though some orders were placed with Japan for short-term delivery. Keen competition was consequently felt and prices fell: $\frac{1}{2}$ " dropped to 85 cents per foot, $\frac{3}{4}$ " to \$1.05, 1" to \$1.20, $1\frac{1}{4}$ " to \$1.60, $1\frac{1}{2}$ " to \$1.80 and 2" to \$2.30 per foot. French pipes for October delivery were priced 50 cents per foot for $\frac{1}{2}$ ", 60 cents for $\frac{3}{4}$ ", 80 cents for 1", \$1.15 for $1\frac{1}{4}$ ", \$1.45 for $1\frac{1}{2}$ " and \$1.95 for 2" cif Hongkong. Canton buyers were in the market for galvanized wire for making umbrella ribs: G13 and G14 were in demand at \$57 and \$54 per picul respectively; other specifications remained inactive. G8 to G12 falling to \$50, G15 to \$57 and \$17 to \$58. Wire nails continued dull, notwithstanding several reductions in price to meet the Canton market which still quotes lower prices than Hongkong can afford to offer: in Canton wire nails of $1\frac{1}{2}$ " to 3", slightly rusted, fetched \$38 per picul, whereas in Hongkong Czechoslovakian, Polish and Japanese nails at present average \$40, or when freight and incidental charges are added \$50 per picul. Tin plates for printing, white base, met with a good export market and rose to \$52, while black base rose to \$45 per case. Antimony 99% (China) rose in price with the restoration of exports, but as supply sources are restricted sellers were unwilling to dispose of stocks at unprofitable prices: antimony of standard purity rose from \$200 to \$240 per picul, while used antimony also rose to \$75.

Paper

The keen competition between paper manufacturers in Europe and the United States and the reductions in prices that have taken place have reacted on this market in a reluctance to place large orders until the position is clearer. To meet this, some suppliers have inserted a clause in the contract to the effect that importers indenting now will have the benefit of further price reductions should any occur. Under a decision of the European Paper Makers Association the price of woodfree is reduced by \$6 per ton and unglazed Kraft is priced at £58.17s. or a reduction of 16% c. & f. Reductions on MG ribbed Kraft, bond bank paper and cardboard will be announced later. The reasons for price reduction are increased production in Europe and decreased world demands. Austria and Czechoslovakia, being non-members of the Association, have entered the markets of the Far East, Africa, and India for

woodfree and MG ribbed Kraft with price cuts amounting to 15% at the lowest. US papers such as woodfree, MG ribbed Kraft, bond and bank paper have also come into competition with the European makes. Norwegian unglazed Kraft was offered at £58.17s., but without acceptance. US woodfree, heavy quality, was offered at US\$250 and the light quality at US\$258 per ton cif Hongkong, which if transferred into sterling at the official rate would be more expensive than the European make, consequently no large transactions took place.

The price of strawboard (Dutch) fell to \$470 per ton forward delivery for G8-G10, the lack of spot cargo being responsible for the fall, as a short time back the price for spot was \$650 per ton; G12-G40 were in the same position, the forward price being \$550. Cigarette paper rose in price with demands from Canton and Swatow: 29 mm 6000 m Ecusta brand, with green line, improved from \$22.50 to \$23.30 per hobbins, smoking tiger brand 29.5 mm, 6000 m stood at \$20.50, Ecusta with green line, 29 mm 4000 m remained at \$12.50, and Japanese cigarette paper in ream rose to \$16.50 per ream. Cellulose paper (British) 40" x 40" fell from \$73 to \$71 per ream, 36" x 39" (British and Italian) dropped respectively to \$67 and \$62 per ream, whereas Polish, Czech and Japanese cellulose improved to \$61, \$61 and \$60 respectively. Metal foil (USA) 4.5 x 6.75" thin quality remained steady at \$2.25 per lb. Newsprint in roll 52 gr. remained steady at 34 cents a pound for 51" and 32.5 cents for 43", notwithstanding the lack of demand from North China; newsprint in ream for cutting fell by 20 cents a ream to \$17.50 for 50 lbs and \$18 for 48 lbs.

Cigarettes

Lack of support from Swatow, Amoy and Canton, caused a dull market: Lucky Strike fetched \$460 per box, Marvel rose from \$275 to \$295, Gold Flake 10's dropped from \$22.20 per carton to \$21.50 and 20's from \$21.50 to \$21, Player's navy cut 10's fell from \$22 to \$21.50 and 20's from \$21 to \$20.70, Garricks fell from \$32.20 to \$32 for 10 tins, as also did State Express "555", but Three Castles rose from \$25.30 to \$25.80 for 10 tins.

Cement

The cement market would have been more active if supplies had been available, but Japanese cement which was in demand was short of stock. Local consumption was steady and there were demands from Foochow, Swatow, Amoy and Chiuchow. Cargo with re-export permit was in great demand and shipments were made to Macao with the object of getting the cement smuggled into China. Japanese cement in bags of 100 lbs. sold at \$5 but offers were made at \$5.40, ex-godown cargo was out of stock, forward delivery rose to \$104 per ton and to \$112 per ton with extension to four or five months, the rise being caused by difficulty in securing the official rate of exchange, Indo-China red & black dragon brands in 50 kilo bags rose from \$5.90 to \$5.95 per bag ex-godown, and ex-ship rose by 10 cents a bag but additional stocks

placed on the market cause a fall to \$5.60, with ex-godown at \$5.70 and ex-ship at \$5.60. Other makes also followed suit and rose by 20 to 30 cents a bag. Green Island "emerkrete" rapid hardening cement in bags of 112 lbs. stood at the usual price of \$8.30 per bag, and white cement "snowcrete" was sold at the official price of \$55 per drum of 375 lbs nett. Formosan cement in 1 cwt. bags being low in stock was offered at \$5.50 per bag and at \$5.40; forward delivery was quoted at \$112 to \$114 per ton.

Glass

Buyers from Formosa were in the market for Japanese glass, which led to considerable activity. Holders of Japanese cargo were obliged to charge higher prices as a result of having to purchase exchange in the open market. Japanese glass, 100 sq. ft. 16 to 18 oz., which during the previous week fell to \$24 per case now rose to \$27 for a sale of over 1000 cases. European glass was inactive: French glass, with fresh supplies arriving, was offered at \$27.50 for 100 sq. ft. 16-18 oz., \$55 for 200 sq. ft. 18 oz., and \$78 for 200 sq. ft. 18 oz. thick quality; Belgian 200 sq. ft. 18 oz. stood at \$58 per case, but without sales, and 400 sq. ft. 44 oz. thick quality was offered at \$448.

Competition from Japan which is strongly affecting the market applies only to thin glass, European makes of thick glass at present hold the field without interference from the Japanese product.

Gunny Bags

A report received by local importers to the effect that the Indian government was holding up the July shipment of gunny bags for Hongkong caused at first a continuance of high prices on an otherwise indifferent market: heavy cees 2" green stripe (new) 29 x 43" $2\frac{1}{2}$ lbs. started at \$3.80 per bag, while buyers counter-offered \$3.75 and \$3.78 without finding sellers; later in the week sellers offered heavy cees at \$3.70, but buyers were disinclined to pay more than \$3.55. At the close of the market, no confirmation being forthcoming of the above report, the price of heavy cees dropped to \$3.47. Hessian cloth 11 oz. 45" fetched 98 cents a yard.

Tin Ingots

The flood conditions prevailing around the sources of supply have led to a shortage in supplies of tin ingots, and prices have accordingly risen: Ho-yuen, Kwangsi 99% and Yunnan 99% were sold at \$610 per picul; Singapore 99.75% rose to \$620. Prices were expected to rise further.

Vegetable Oils

The market for vegetable oils was dull, but dealers were optimistic about a renewal of enquiries from abroad shortly. Teaseed oil 5.4 acid sold at \$136 for a quantity of 66 drums, 4.5 acid was offered at \$138 per picul; tungoil (wood oil) with export permit fetched \$130, without permit sold at \$128 per picul. Aniseed star on hand was found to be turning mouldy as a consequence of lack of sales for some

time past and these stocks were sold at \$37 per picul.

Gallnuts had fallen to \$75 per picul but rose to \$80 as supplies received were small, no buyers however came forward. A fresh consignment of 1100 drums of Singapore coconut oil was on the market, over 50% was for forward sales; the price fell slightly to \$99.50 per drum. Pure quality coconut oil sold at \$108 per drum. Edible coconut oil, majong brand, stood at \$122 with low stocks.

Bristles

Bristles showed greater activity as the result of an order for about 30 cases of Chungking product received from the US for direct shipment to Belgium, the exchange in US dollars being settled by the Belgian importers with the US agents. The packing was in bundles instead of in cases, and the price of 2½" to 2¼" averaged US\$2.35 per lb. c. & f. The London market was dull with lower prices than those ruling in New York: Chungking No. 27 was at 18/- per lb cif, working out at HK\$ 14.40; Tientsin No. 55 was offered at 40/- to 42/-. In New York also prices were at an unprofitable level. Tientsin No. 55 (short) being at US\$6.35 but without buyers, and Chungking No. 27 at US\$2.40. Recently enquiries were received from Great Britain offering US\$2.30 for Chungking No. 27, whereas local dealers counter-offered at US\$2.50 per lb; negotiations are continuing and it is expected that a satisfactory price will be reached. For the past two months no orders of any importance have come from New York, however, it is hoped that business will be brisker in a month or two.

Shipments of bristles from North China are being encouraged and plentiful supplies are expected. At present local stocks are estimated to amount to from 30 to 40 sets of Tientsin bristles (2200 cases), valued at US\$1.5 million, but sellers are holding back in anticipation of higher prices.

China Produce

Japanese buyers were in the market for *soya beans* and *bean cake*, and Canton buyers were interested in *bean cake* but would only take up short term delivery cargoes, forward delivery being too uncertain under present conditions; 500 tons of bean cake were booked for two days delivery at \$28.60 per picul. About 1000 tons of bean cake and soya beans arrived from North China and a further quantity was shortly expected of about 4000 tons of soya beans and 5000 tons of bean cake. Bean cake for spot sold at \$28.50 per picul and short term delivery at \$28; soya beans (Dairen) sold at \$37 for a quantity of 200 tons.

White nuts, Buddha brand, were short of stock and rose to \$385 per picul. Apricot kernels from Pei Shan, North China, also improved to \$225 for 1st quality, \$210 for 2nd quality, and \$190 for lower quality. Vermicelli, Lung-hau, was steady and 1st quality sold for \$240 per picul, 2nd quality for \$235 and \$230.

Sugar

Large stocks of sugar and an inactive market led to a lowering of prices:

Hongkong Industrial Report

During the month of June, applications for registration of factories and workshops in Hongkong amounted to 22, (9 on the Island and 13 in Kowloon & the New Territories), applications refused and registration certificates cancelled came to 12 (2 in HK and 10 in Kowloon & N.T. including 2 applications refused), and registration certificates issued were 17 (5 and 12). This brings the total number of applications received from January 1 to June 30 this year to 201 (90 and 111), applications refused and registration certificates cancelled to 105 (23 and 82), while the total number of registrat on certificates actually issued amounts to 109 (32 and 77).

The 22 applications for registration received during last month covered the following: in Hongkong, 1 each confectionery & candies, peanut sorting, spectacles, neon lights, laundry, cotton quilts; in Kowloon & the New Territories, 1 each cotton mill, paper mill, weaving (cotton), glass, plastic ware, bakelite wares, metal wares, aerated waters, bone grinding, camphor cakes, camphorwood box, quarry; and 4 printing establishments (3 in HK and 1 in Kowloon)

The total number of factories and workshops registered at the end of June or whose applications were under consideration was as under:—

	Kowloon H.K. & N.T. Total	
Factories & workshops now registered	261	693
Applications under consideration	91	126
	352	819
		1,171

Paper Mill

The Un Long Paper Mill which applied for registration last month, is expected to have an output of 1½ tons of high quality paper within the next 2/3 months. Thirty workpeople are at present employed and the machinery is up-to-date. Up to now there have been two establishments in the Colony for manufacturing paper, employing between them 115 persons (88 men and 27 women), but their output consists of low-grade cheap paper and does not in any way come up to the standard of the paper to be produced in the new mill. The mill is situated at Kam Tin in the New Territories.

Formosan special refined sold at \$48 per picul, but with the arrival of 10,000 bags to be added to the existing stocks of 50,000 bags the price fell to \$47 per picul and \$42.50 ex-ship. Canton naval flower brand, with stocks amounting to 10,000 tons, was offered at \$44.50 and \$45, but without buyers. British white refined sugar was also affected and sold at \$48 per picul.

Rubber Shoes

The allocation to Hongkong of £320,000 as the value of rubber shoes to be imported into the United Kingdom during the winter months, came as a disappointment to local manufacturers, who had hoped for better things this year. Application was made to the Board of Trade by local manufacturers for the amount to be increased, if possible, to £1 million, but this was refused. Negotiations are still going on in regard to price: last year's indents had been at the rate of \$7.30 per pair, but this year, with increased overhead charges, local manufacturers considered it doubtful whether this could be repeated, though if it were insisted upon they were prepared to accept that price and work at a loss rather than have to close down through lack of orders. Local factories are hampered by the restrictions imposed in almost every country against the importation of rubber shoes. Australia is one of the few countries left for free importations, but in this case a high import duty makes competition with their own manufacture impossible. Further, European shoe makers are able to undercut the Hongkong product, local manufacturers being at a disadvantage with the high cost of labour, which is almost as high as in Great Britain, and which it is out of the question to reduce with the cost of living as high as it at present is.

Underwear for Indonesia

Knitting mills had a revival of work with an order from Indonesia for 200,000 dozen singlets at the end of last month, and about 50,000 dozen have now been shipped. Previously the importation of textiles into Indonesia was not permitted by the authorities, but a desperate need of cotton singlets obliged the authorities to relax the prohibition. There are 183 knitting mills in Hongkong employing 5,084 workers (1,566 men and 3,518 women). For the first quarter of 1949 exports of cotton underwear amounted to \$19 million.

The Button Industry

Button factories in Hongkong have fallen upon bad times, and in spite of every effort to find fresh markets find themselves faced with a serious lack of orders. Unfortunately the cost of production is high, and local manufacturers therefore meet with difficulties in trying to penetrate low-priced markets; added to this is growing competition from Italian buttons, which are not only attractive in appearance but also reasonably cheap. In January of this year 10 button factories were registered in Hongkong, employing 305 workers. For the January/March quarter exports of locally manufactured buttons amounted in value to around \$97,000; Siam is the best customer, but Malaya, India, Indonesia and Iran, as well as the United Kingdom, also take a certain quantity of buttons.

Hongkong Aviation Returns

For the first half year of 1949

	CIVIL AIRCRAFT		PASSENGERS		MAIL (kilograms)		FREIGHT (kilograms)	
	arrivals	departures	in	out	in	out	in	out
Monthly Averages for 1948	595.33	—	9,591.75	9,381.66	13,726¼	13,649¼	42,920.08	100,985.58
1949								
January	805	799	9,940	11,913	17,315	14,713	41,947	90,791
February	745	741	10,651	10,146	13,750	12,906	43,749	83,829
March	833	836	8,998	11,022	16,490	15,258	46,144	123,988
April	979	967	13,996	14,031	14,031	14,797	68,592	153,036
May	1,476	1,457	21,380	19,193	13,062	13,734	53,123	157,403
June	1,463	1,467	17,062	18,630	15,028	12,536	593,728	227,833
First half year	6,301	6,267	82,027	84,936	89,798	83,944	847,283	836,880

Total number of aircraft arriving at and leaving from Hongkong during January—June 1949 was 12,563; total number of passengers 166,963; total weight of mail: 173,742 kgs; total freight: 1,684 metric tons.

AVIATION REPORT

Civil air transport figures during the current year have been rising from month to month until they established all-time records in May and June which were of course largely due to the political conditions in China and the stream of refugees which arrived here. The Colony's airport (Kaitak) has become increasingly congested and the handling of civil aviation has proved a most difficult task particularly after the heavy reinforcements of the Royal Air Force recently arrived here. The flying boat base, used by the RAF and aviation companies has also become extremely busy.

During June a total of 2910 civil aircraft landed and took off, a daily average of almost 100. A large number of regular landings and take-offs are made by RAF planes and by the privately owned flying training machines in which students receive their instruction which activity causes the two air strips to be fully occupied during operational hours. The airfield is furthermore used as storage space for a seemingly innumerable amount of aircraft, mostly owned by the two Chinese airlines. The extension of hangars and workshops of the two commercial aircraft repair and maintenance companies (Pamas and Jamco) as well as the growing activity in the CNAC compound—after this Sino-American firm has shifted its headquarters to the Colony—further contribute to transform the airfield into the possibly busiest centre of its kind in the world.

While the start of the construction of the new airfield (Deep Bay) has been postponed—initial earth work is to commence in early autumn—the present airfield must accommodate a huge passenger and freight traffic for which it was never intended. The Civil Aviation Department of Government has however distinguished itself in keeping the airfield going on a steadily and very considerably increased amount of traffic; handling of almost 900 incoming and departing passengers per average day has been efficiently accomplished in spite of wearisome passport formalities

(for people of non-Chinese race) and Inland Revenue (Customs) inspection. Last month's record handling of freight amounted to 821½ metric tons against only 143.9 tons per average month of last year.

The monthly averages of this year when compared with the 1948 monthly averages show very large increases reflecting the growing importance of air transport in Hongkong. The major share in air transport operations goes to the Sino-American owned China National Aviation Corporation, followed by the Chinese (Canton) government owned Central Air Transport Corp., and the British owned Hongkong Airways (in which BOAC hold the controlling position). Traffic with China accounts for by far the largest portion of aircraft landings, passenger and freight transport.

Traffic increases in 1949 over 1948:—

	monthly average Jan./June 1949	percentage increase over 1948 averages
Aircraft, arrivals	1,051	76.64
Passengers, in ..	13,671	42.53
out ..	14,156	50.89
Mail, in	14,966	9.03
out	13,991	2.51
Freight, in	141,214	229.00
out	139,480	38.12

Air Traffic in June:— Due to the military change over in the Shanghai area and the Canton govt. threats to bomb Shanghai airfields no air communications with Shanghai could be conducted during June. Nevertheless, air transport returns for the month show further increases particularly for freight which aggregated an unprecedented total. With 593.7 tons of air cargo unloaded and 227.8 tons loaded, mostly from and for South China and Taiwan cities, Hongkong airport is outstripping some of the leading airports in Europe and America.

As far as arrivals in June were concerned, passenger traffic with China accounted for 82%; next came, in that order, Philippine, Indochina, India, US, Siam and Japan traffic. Mail, inward, was mostly arriving from

China, followed by mail from the U.K. Singapore and Japan. Freight discharged came almost all from China (under Canton govt. control): 562 tons or almost 95% of total freight.

Other freight arrivals came from the UK, India, Japan, Philippines, Continent of Europe, US and Singapore—in that order.

As far as departures in June were concerned, passenger traffic with China accounted for 75%; next came Philippines, US, Siam, Japan, Indochina, Singapore and the UK. Mail, outward, was mainly flown to China, UK, US, Singapore and the Philippines. Outward freight to China accounted for 87% of the total, aggregating 199 tons. Other freight dispatches went to US, Singapore, Siam, Burma, Japan and the Philippines—in that order.

Remarkable is the position which Japan has gained in post-war civil aviation. Every month the figures for passengers, mail and freight, in and out of Japan, are mounting. When Japanese citizens will regain the right to travel and business men will once again establish themselves abroad and visit foreign countries, the jump in the air traffic figures at that time can be visualised. Today more traders in Japan—Japanese and foreigners—prefer for a variety of commodities the fast and relatively inexpensive air transport. In Hongkong's aviation returns the position of Japan has recently markedly advanced and should before long take second place behind China.

Regular Users of Hongkong Airport:— The three leading companies are CNAC, CATC and HKA who, in passenger traffic inward and outward, monopolise business on their scheduled China routes. Mail, inward, was mostly carried in June by planes of CNAC and BOAC; mail outward by BOAC, HKA, PAL and CPA—in that order. Freight carried inward was mostly the business of CNAC, followed by a very wide margin by BOAC, PAA and Braathen's SAFE. Freight outward was also largely the business of CNAC, followed by CATC, BOAC and HKA.

Air Transport Report for June 1949

Arrivals				Departures			
Countries	Passengers	Mail	Freight	Countries	Passengers	Mail	Freight
United Kingdom via Bangkok & Ports	45	2,721	5,735	United Kingdom via Bangkok & Ports	131	3,431	1,305
Europe via Bangkok & Ports	8	495	3,403	Europe via Bangkok & Ports	98	47	174
Middle East via Bangkok & Ports	—	—	—	Middle East via Bangkok & Ports	7	—	140
Calcutta via Bangkok & Ports	250	633	5,343	Calcutta via Bangkok & China	73	22	779
Rangoon via Bangkok & China	105	791	810	Rangoon via Bangkok & China	93	—	4,855
Singapore	127	1,612	2,652	Singapore	170	1,195	6,037
Bangkok	214	125	685	Bangkok	692	141	5,008
French Indochina	350	254	646	French Indochina	278	145	928
Macao	96	—	—	Macao	95	—	20
Philippines	472	722	4,233	Philippines (direct)	1,892	588	1,471
Japan via Ports	165	1,457	5,335	Japan via Shanghai & Ports	304	138	2,186
U.S.A. via Manila & Ports	221	91	2,692	U.S.A. via Manila & Ports	611	1,679	5,129
Honolulu via Manila	66	7	394	Honolulu via Manila	155	58	155
Australia	—	—	—	Australia	88	209	20
Shanghai	—	—	—	Shanghai	—	—	—
Canton (direct)	10,799	2,975	1,177	Canton (direct)	9,406	2,970	48,835
China via China Ports	4,144	3,145	560,623	China via China Ports	4,537	1,913	152,091
Total	17,062	15,028	593,728	Total	18,630	12,536	227,833

Total No. Aircraft: 1,463.

Total No. Aircraft: 1,467.

Hongkong Airport: Traffic of regular users.

JUNE 1949

ARRIVAL

DEPARTURE

Company	No. of aircraft	Passengers	Mail	Freight	No. of aircraft	Passengers	Mail	Freight
C.N.A.C.	618	6,236	7,645	561,277	625	6,469	769	161,877
C.A.T.C.	325	5,077	368	529	318	3,874	400	29,761
C.P.A.	39	188	185	1,116	36	653	1,405	2,405
P.A.L.	21	212	537	1,955	21	788	2,132	2,790
T.A.A.	25	105	91	1,727	27	612	—	—
B.O.A.C.	25	305	5,578	13,244	26	388	4,557	13,396
P.O.A.S.	16	54	17	116	18	247	77	2,863
P.A.A.	48	459	183	8,191	48	674	60	2,212
S.A.C.	5	15	17	2	5	82	—	540
H.K.A.	212	3,796	44	61	211	3,280	2,892	10,650
A.F.	11	350	254	646	11	426	241	999
S.A.F.E.	7	8	102	3,403	8	172	1	266
M.A.T.C.O.	15	87	—	1,016	16	97	—	69

The Fisheries of Hongkong

There was no Fisheries Department of Government before the Pacific War. The need of such a Department was recognised, after the re-occupation of the Colony, in order to administer the Fishing Industry and Fleet which features numerically as the largest in the Colonial Empire. The sound policy envisaged in 1945-6 when the Department started, is to be continued. It is the intention to encourage the development of this, the most important of the Colony's primary Industries, by the local fishing population.

Before any development or progress was possible it was necessary to do socio-economic work which would put the local fisherman on a sounder financial basis and would prepare him for the eventual introduction of

mechanised power. It had been known for some time that the potentialities of the local Fishing Industry were great but that the main hindrance to progress in the Industry was that its finances were in the control of groups of wholesale dealers. With control of the Industry, the wholesalers ensured that what profits were to be made in the Industry would go into their own pockets or those of their subordinates. The wholesalers had obtained control of the Industry largely by putting to their own use the ignorance, superstition, and thriftlessness of the fisherman and the general uncertainty of the Fishing Industry. The fisherman at any time and any place is greatly dependant on the season; in the good season he is prosperous, in which case the money earned will only be gambled away or

spent freely. In the bad or unfavourable season he is destitute and would find himself desperately in need of funds with which to sustain his family. These funds were most often advanced by the middlemen in the form of a loan. These loans were unusual inasmuch as an agreement between the parties was seldom signed and it was rare that interest was charged. Normally the only condition was that the fisherman would state his willingness to hand his entire catch over to the middleman for marketing. Few of these loans were repaid, for it was in the middleman's interest to retain control over the fisherman's catch out of which a handsome profit could be made. As to the fisherman, in the main he was content with his lot for, although his standard of life was low, he had the satisfaction of knowing that his agreement with the middleman was a security which, pro-

vided he remained a good, reliable fisherman, would stand him in good stead during the slack and bad seasons. The result upon the Industry was the restriction of development as the fisherman was never in a position to better his condition or to experiment with new gear and methods.

The whole fishing fleet, on the re-occupation of the Colony, was still wind-driven. The fishing methods were found to be efficient as far as they went but it was apparent that development had to be along the lines of mechanisation of these methods. The restriction of development due to the pernicious economic system of the Industry and the havoc caused by the Japanese Occupation made the Hongkong fleet one of the most backward of the fleets operating in the China Seas. Due to active and financial encouragement by the Fisheries Department, through the Wholesale Marketing Scheme, a start towards the mechanisation of the fishing fleet has been made. This is only a beginning and, as with all new, revolutionary development, much time and effort must be spent in an endeavour to find the most suitable means of mechanisation. To prepare the local fishing population for this change and to anticipate and be prepared to act on the effects which it will have on the economy and social status of these people are problems that are receiving the active attention of Government.

The Fishing Industry suffered, perhaps, more than any other as a result of the Japanese aggression. Ever since 1937, during the Sino-Japanese War, junks of the local fishing fleet, operating well outside Territorial waters, had been subjected to attack by Japanese Men o'War. Although the exact figures are not known, it is estimated that losses of these valuable off-shore vessels ran into several hundred. During the Japanese Occupation, the Industry came virtually to a standstill. Many fishermen were unwilling to risk their lives and vessels at the hands of the Japanese and Allied Air Forces and Navies which were constantly attacking Coastal shipping in this area. At the time of the Japanese surrender the state of the Industry was deplorable. Few junks were seaworthy and the gear that was available was badly in need of overhaul. A survey made in September 1945, showed that only some 26,000 fishermen remained in the Colony as compared to three times that number in 1938.

The time for active reform was opportune and this opportunity was seized. The middlemen were replaced by a Government administered Wholesale Marketing Organisation. Briefly, the Organisation provides all the necessary machinery for the collection and transport of produce to a Government Wholesale Market where it is sold by public auction under the supervision of Government Officials. In the main fishing villages, offices

have been established where consumer and producer supplies may be obtained and where various social and educational activities are performed.

Since [the re-occupation of the Colony, the main work of the Fisheries Department has been in the administration of the Wholesale Marketing Organisation. Comparatively little has been accomplished in the technological and research fields but a small start has been made and plans have been drawn up for a future Research Station. This research will be along lines indicated by the findings of field officers and although it will be directly applicable to economic problems of the Fisheries of Hongkong, the opportunity will be taken to co-operate in the International and Colonial fields with scientists of other Territories. In this way, valuable information will be available for the all important problem of food production and information obtained from other sources will be applied to that found in the Research Station.

The development of the Industry must be along the lines of mechanisation. To this purpose, the Colonial Development and Welfare Fund granted £50,000 for use as loan capital in a Mechanisation Scheme. It is Government's intention to help selected fishermen financially in the installation of diesel engines into their junks.

During the twelve months ending March 1948, the Marketing Organisation handled 256,470 piculs or 34,196,000 lbs. of fish. This amount of fish, both fresh and salt/dried, that was handled by the market was not the total landings for the Colony. Some fish was eaten in the fishing villages and still more, especially fresh fish, was wholesaled in the "black market". It is estimated that the landing of "rounded" fish was over 50,000,000 lbs. It is interesting to compare these landings with those of other territories. Although it is well below our pre-war figure, it is 60 per cent. of the average Australian landings of 80,000,000 lbs. and over eight times that of the average yield of the Colony of Jamaica.

The life blood of the Industry is the Export trade. In normal times approximately 60 per cent. of the salt/dried fish landed in the Colony is exported mainly to China and to Chinese Communities all over the world. In 1947/48 46.5 per cent. of salt/dried fish landed were exported. It is thought that this decrease is attributable to the increased local consumption caused by the increase in population since the Re-occupation.

The cost of most commodities has risen considerably since 1939, and fish is no exception, but many people have the mistaken impression that the fisherman is "doing well out of it". In all fairness to the fisherman it is as well to compare his present income and expenditure with those of pre-war. On average, the fisher-

man is receiving for his catch about five times the price that he received in 1939 but his expenses have risen proportionately. His main capital expenditure, the junk, costs six times what it did pre-war; ramie, which is his largest recurring expenditure, cost \$30 to \$85 per picul in 1939, but in 1948 it cost, approximately, \$210 per picul, Shue Leung which is used for tanning nets was five times more expensive; Tung oil and salt about four times.

Outlook for Hongkong's Fishing Industry

The fisheries of Hongkong are among the most highly developed in the Far East. Here, alone in the Colonial territories except for the fleet based on Pangkor in Malaya, are large decked fishing craft used. A fleet of over 1,100 of these large fishing craft is based on Hongkong, as well as 3,500 smaller fishing craft. The weight of fish sold in the wholesale markets is over 16,000 tons per year.

The natural outlet of the fisheries of Hongkong is China, which normally takes over 60 per cent. of the total production. But the present economic chaos in South China has hit this market badly. Nevertheless a great volume of trade is still being done with China, and markets are being sought successfully elsewhere, as far away as the United States, where the Chinese communities want fish prepared to their accustomed tastes. The Co-operative marketing scheme, unique perhaps in the world, is a product of the war and of the personality of a few far-seeing and devoted people, by which the fisherfolk of Hongkong have been released from the economic servitude to the money lenders under which most fishermen, in the Far East and elsewhere, labour with little profit. A fruitful line of development will be the gradual conversion of the Hongkong sailing fleet to power fishing. Steam and motor trawlers from Japan regularly fished the offshore waters of South China before the war, landing their catches, for the most part, in Korea. The profitability of such fishing is therefore evident. The Hongkong Government has asked for a revolving loan, to be supplied from Colonial Development funds, for this mechanisation, and this has been granted. Several junks have already been fitted with diesel engines, and are catching 70 per cent. more fish than the sailing junks. The greatly increased catches to be expected by mechanisation will be spread over a long period of time, for the programme itself will be gradual and there will therefore be time for the markets to take up the increase. But there will always be a market for the fish of Hongkong in the vast population of China, once economic stability there is reached.

Fish Culture & Research

Hongkong has put forward plans for a Fisheries Research Station, which have now been approved. This station would cover the North China sea, and link up with the research work based

on the Marine Laboratory at Singapore. So far, only the natural fisheries have been considered. Now the possibility of creating fisheries, by fish culture, is studied.

The rearing of fish in ponds has been carried on from time immemorial in China, and it is believed that the cultivation of carp reached mediaeval Europe from China. In Central Europe before the war, there were great carp farms, with an annual output of thousands of tons of fish, and during the war, refugee fish culturists established a fish culture industry in Palestine. As much as 2,000 acres of fishponds were constructed in Palestine, yielding over 1,000 tons of fish per annum. This high rate of yield is got, partly by manuring the water, and partly by feeding cheap food-stuffs, such as lupin seed, and cotton seed and groundnut cake to the fish.

Much higher yields are got in the Far East and yields of over two tons of fish to the acre per annum are common practice. There are many fishponds in the New Territories of Hongkong, and also in Malaya and Singapore. In the latter territories, the pond-reared fish are for a luxury trade in connection with Chinese festivals. Their progress has been checked by the difficulty in importing the fry from China, but the Director of Fisheries, Federation of Malaya and Singapore, is remedying this by flying the fry from Hongkong, a method of transport which is cheaper than the sea transport formerly used. He is now experimenting with fish culture to provide food for the mass of the people, and is having very successful results. The idea of village fishponds has taken on and is spreading.

Wholesale Vegetable Marketing by Hongkong Government

Before the War the marketing of vegetables was in the hands of small groups of middlemen, called Vegetable laans. By taking advantage of the farmer's ignorance, superstition and poverty, and the economic conditions of the industry, these middlemen ensured that any profits to be made would go to them. The farmer had little opportunity to improve his position and was kept barely at subsistence level. He had little feeling of security for seldom did he have sufficient return from his produce to put by for the inevitable "rainy day".

During their interment in Stanley Camp, a small group discussed the problem of the farmer and devised a plan. This plan was to introduce the long needed reform of taking the marketing of vegetables out of the hands of the middlemen. This drastic step was not intended to be a permanent one but was designed to lead, eventually, to co-operative marketing by the farmers themselves.

After long preparation, the market was opened on the 15th September, 1946. The time spent on preparation was not wasted. A short preliminary

Business of Japanese Banks

On March 31, of this year, banking institutions of Japan brought out their profit and loss statements for the first time since their reorganization in accordance with the rehabilitation program. During the half-year period (October 1948 through March 1949) appeared the first signs of economic recession, with business circles experiencing acute shortage of money and banks, too, finding it extremely difficult to increase deposits. Nevertheless, the March-end statements show that results were unexpectedly good, with no bank showing less than 10 per cent, profit for the half year term. An analysis therefore will be attempted of figures published by Fuji, Chiyoda, Osaka, Sanwa, Dai Ichi, Teikoku and Tokai,—the Big Seven,—in order to find the cause or causes of these good results.

survey was carried out; the results of this survey indicated the lines along which the Scheme should be run. As the Scheme was to be established primarily for the benefit of the farmers of the New Territories, it was not necessary to establish a market on Hongkong Island. The only Vegetable Wholesale Market was established in Kowloon. By law, the movement and sale of vegetables in Kowloon and the New Territories was to be completely under the control of the competent authority of the market. In practice this meant that all the vegetables grown in the New Territories or brought into the New Territories or Kowloon for sale, were moved only by Government transport, and brought to the Government Wholesale Vegetable Market where they were sold wholesale to registered buyers. The expenses of the market were to be met by a commission on all sales.

The establishment of the Wholesale Market was designed to give, primarily, a good price to the farmer for his produce but, also, to see that the consumer was able to buy vegetables at a reasonable price. To this latter end a discussion was held with retailers who agreed on a profit of 40 per cent. in the case of highly perishable vegetables and of 20 per cent. for the less perishable vegetables. A substantial reduction in the retail price of vegetables was achieved.

Substantial invested interests had been affected by the introduction of the Scheme. The hardship of the old middlemen, however, was not considerable. The majority of middlemen had been unable to re-establish their business, mainly owing to lack of transport. Considerable opposition was encountered at the beginning but this had been expected and plans made proved adequate to deal with the situation.

JAPAN

As will be seen from the table below, the lowest rate of earning of 10.6 per cent is reported by the Dai Ichi, while the highest is that of Tokai at 26.2 per cent. Thus the average is slightly less than 13 per cent. Since, however, these earning rates are based on profits after deducting for depreciation, the actual average is around 30 per cent with profits as follows: Fuji, Y203 million; Chiyoda, Y187 million; Sanwa, Y175 million; Osaka, Y160 million; Dai Ichi, Y106 million; Teikoku, Y102 million; and Tokai, Y190 million.

*Big Seven Profits for Half Year
Ending March 31, 1949
(in million yen)*

Name of Bank	Capital	Profits	Rate of Earning (Per cent)
Fuji	1,350	83	12.3%
Chiyoda	1,000	76	13.8
Osaka	1,140	61	10.7
Sanwa	1,000	66	13.2
Dai Ichi	1,020	54	10.6
Teikoku	950	51	10.7
Tokai	435	57	26.2

The principal factor making for such good profit rates is none other than the natural increase in money volume consequent in inflation. Another cause is that most statements were prepared with a view to declaring dividends of from 5 to 7 per cent, which were not paid out on orders from the government authorities.

All banks showed a 30 per cent increase in deposits over those of the term ending September 30, 1948. The increase was spectacular in the cases of Tokai and Osaka, while the gains made by Fuji were the lowest. Up to about the middle of last year, Fuji was making the best progress, but it is now at the tail. Increase in lendings varies; but it is to be noted that the more the lendings, the more the borrowings from the Bank of Japan (e.g. Sanwa and Tokai). Therefore, with lending varying in proportion to loans obtained from the central bank, city bank advances bear little relation to their deposit increases or decreases. There is, however, no clear indication that dependence on the Bank of Japan has direct effect on the earning power of any given bank. For when the banks are ranged in the order to borrowings from the Bank of Japan (Dai Ichi and Teikoku omitted), Sanwa heads the list, followed by Osaka, Chiyoda, Fuji and Tokai. When, however, the ranking is done according to earnings, the order is reversed and become Tokai, Chiyoda, Fuji, Osaka and Sanwa. This indicates that although Bank of Japan lending rates may be low, the current make-up of deposit accounts, in which interest-less current account is predominant, makes it most profit-

able for banks operating on funds deposited with themselves. In other words, the soundness of bank business is in direct proportion to the amount of deposits held and in inverse ratio to borrowings.

Needless to say, the source of profit in banking is in the difference between the rates of interest on the money obtained (money cost) and on funds loaned out (earning rate). Tokai has the highest profit rates at 0.525 per cent, while the lowest is Sanwa at 0.311 per cent.

How is the outlook for the current term? The general tone is that of pessimism. For, in the first place, in view of the "balanced budget" policy, there is little likelihood that money will loosen up and deposits will increase. As already mentioned, bank profits tend to be in direct proportion to the rate of increase in deposits. Therefore, if no increase can be expected, bank operation will inevitably become more difficult. Secondly, business in general is in a state of readjustment; so the banks themselves cannot neglect rationalization of enterprise. Money cost is on the average around 8.5 per cent and the rate of expenses is about 5 per cent. Therefore, expenses will have to be reduced if the margin of profit is to be widened.

Rise in Industrial Output

The general index number for Japan's industrial production which has hitherto been slowly climbing, reached in April an all-time high since the end of the war. The general index figure for mining and industry reached 71.6 per cent on the basis of 1930-34 average as 100. Compared with 49.8 per cent in the corresponding month of 1948, the increase is 44 per cent, while the increase over the previous month is 4 per cent. Thus production attained the highest peak ever reached in post-war Japan.

Compared with March figures, around 40-50 per cent increase was seen in the production of sulphate, cotton yarn, artificial silk, staple fibre goods, pig iron, steel ingot, lead, zinc, machines, sheet glass, sulphate ammonium, etc. Meanwhile, among decreases were raw-silk, copper, coal, soda ash, super phosphate of lime. The decline was but fractional. The decrease in the output of super phosphate was brought about by preferential allotment of raw materials to the production of ammonium sulphate.

The steady rise in Japan's industrial production is evidenced by financial statistics in which the stringency of industrial money is scarcely reflected. However, it may not be very long before shortage of money hits Japanese industries.

Recent Movements of Foreign Capital

Activities centering on the introduction of private capital from overseas investors are being observed since obstacles preventing the influx of foreign capital to Japan have been cleared following the establishment of the single general exchange rate for the yen and the recent revision of the Law relating to Prohibition of Private Monopoly.

As of the end of May this year, 37 different business activities by foreign nationals, including acquisition of properties, have been approved by SCAP authorities. An agreement was furthermore reached between the Japan Petroleum Company and the California Texas Oil Company with a view to importing 20,000 metric tons of Arabian crude oil to this country.

Features of the influx of private capital from abroad are as follows:—

(1) There are few instances of foreign investment which are fully deserving of the name. Practically no investment is witnessed in stocks or in the form of importing modern production equipment and machines. (2) Many of the existing investments are either redemptive within a short period or of easy withdrawal. (3) Therefore, investments in commercial activities form the majority of foreign capital in Japan. (4) Since problems relating to pre-war debts and obligations between Japanese firms and overseas investors have not been completely settled, the present stage is still far from restoring the pre-war conditions to them. (5) Due to the lack of appropriate measures for protecting patent rights, there are but few cases of foreign investment in the form of released industrial technique. (6) Among the Niseis there are moves for constructing plants and work-shops.

EXCESSIVE SHIPPING RATES AND JAPANESE EXPORTS

Because of the high cost of shipping in foreign bottoms the foreign market prices for Japan's export goods are frequently three to four times or more of the f.o.b. Japanese port quotations. With imported articles, too, high ocean freight charges are boosting prices. Naturally, distance constitutes a variable factor; but the effect is most noticeable with iron ore and salt.

In the case of the former, the export f.o.b. price of \$5.98 for United States ore becomes \$20.98 c.i.f. With Brazilian iron, the f.o.b. price of \$6.10 becomes \$21.10, while with Indian ore, \$4.29 f.o.b. becomes \$18.14 c.i.f. In short, shipping and insurance charges amount to about three times the f.o.b. prices.

With salt, shipments from the Red Sea area are \$5.75 f.o.b. and \$17.85 c.i.f. Japan, while those of Italian and West Indian salt are respectively: f.o.b. \$4.90 and \$5.10 and c.i.f. \$19.00 and \$18.20. In this case, too, shipping and insurance come to almost threefold.

Allowance, of course, must be made for world-wide rises in postwar prices; and although a downtrend has set in

The inflow of foreign capital is covering, the following fields:—

(1) Acquisition of land, constructions etc. by private business firms. This is the case with the National City Bank of New York which bought houses in Tokyo for its employees. The American International Underwriter's Corporation bought a tract of land located in Yokohama. A purchase of residential quarters was made by the Associated Press and by the Time Life International Corporation, both in Tokyo.

(2) Partnership sharing profit at a rate to be established by agreement. Among those included in this pattern of investment, are two agreements which have been concluded between the Japanese Petroleum Co. and Caltex, the condition of which are: Caltex consigns finished products together with necessary instruments to J.P.C. for sale in Japan. Profit accruing will be shared evenly by the contracting parties. Caltex obtains the ownership of an oil refinery of J.P.C. located at Tsurumi, near Tokyo, against supply of 20,000 metric tons of Arabian crude oil to the latter.

(3) Investments in business activities by foreign nationals. Brick-yards will be started by Jackson and Church Co. (U.S.) with imported machines. A part of the installation will be purchased or obtained by lease from Japanese merchants. An import of raw materials worth Y28 million is prepared by Rehabilitation Committee of the Catholic Church in Japan. These imported materials will be delivered to local factories for processing. Reserving a part of the finished goods for their use, the importer will sell the rest to the Japanese Government for domestic consumption.

with the recession in the United States, price levels are still high. Taking the United States for example; as shown in Table 1, with the average for the year 1935 used as the index base of 100, the level for 1937 was 108, and for 1948, 206. This is an increase of some 190 percent; but ocean freight charges have far outdistanced the average rise.

It is found that the United States ocean freight rates for wheat in 1937 were \$6.50 per ton at the highest and \$5.00 at the lowest. This had become, in 1948, \$14.00, or 215 per cent and 280 per cent of the maximum and minimum rates of 1937.

1. United States Ocean Freight Rates: Pacific Coast to Japan Shipments of Wheat

(In U.S. Dollars)

	1937	1948	Increase (%)
Maximum	6.50	14.00	215
Minimum	5.00	14.00	280
U.S. Wholesale Prices (1935=100)	108	206	190
Chicago Wheat Price (Per Bushel)	1.44	2.24	155

Japanese Industrial Reports

Soy

In spite of the general trade recession, a contract was concluded for exporting 135,000 casks of soy sauce to the United States and Hawaii during the current fiscal year. In the April-June period, 40,000 casks will be exported. Of this figure the first shipload of 5,000 casks, mainly the Kikkoman brand made by the Noda Soy Company, has already been shipped abroad. In addition to Aji-no-moto, Japanese soy is again gaining popularity in the United States, especially among the American-born Japanese. Prospects are promising that soy will overshadow Aji-no-moto in trade volume.

Of the total scheduled exports (135,000 casks), the Kikkoman brand comprises 75 per cent or 100,000 casks, indicating that it still enjoys the widest popularity in the United States.

The 40,000 casks to be exported during the first quarter of fiscal 1949 are divided among leading producers as follows: 30,000 casks for Noda Soy (the Kikkoman brand), 2,000

casks for Yamasa Soy, 2,000 casks for Marukin Soy, 2,000 casks for Marudama Soy, 1,000 casks for Higeta Soy and 3,000 casks for other brands. Before the war, the Noda Soy Company's shipments once reached the 600,000 casks a year.

The FOB price being \$5 per cask (containing one to of soy, net), 135,000 casks would value US\$575,000. At the rate of Y360 to the dollar, it would add up to Y243 million. Should soy exports increase to the prewar level (600,000 casks a year), the total value would be Y1,000 million, or probably the largest item among export provisions.

About the supply of necessary materials there is no concern because soy beans are imported from the United States. Japan-made soy is noted for its special flavor and taste since climatic conditions are admittedly suited for soy brewing. Then, the export price at \$5 per cask may be a threat to American soy makers who, by taking advantage of the wartime stoppage of soy imports from Japan, mushroomed in Seattle, San Francisco, Los Angeles, Portland, Honolulu, Hilo and some other cities in the United States. In some of these places the soy industry has developed to the extent of self-sufficiency.

DDT

Leading chemical corporations making DDT as one of their main products have been brought to a serious plight due to the sharp recession of domestic demand and the suspension of the Government's purchases, just as in the case of dyestuffs. Whereas the Government heretofore bought up the whole output to be distributed under official control for farming and prevention of epidemics, DDT sales have been decontrolled since April, this year. In the period of transition from Government control to free sales, however, DDT producers have been suffering more than ever from lack of funds. In addition, most of them are not well prepared to cope with the ramifications of free marketing, i.e. free competition. Then there is increasing fear that large stocks will pile up considerably in the future because, domestic demand, though brisk from April to July, usually slows down sharply in the latter months of the year.

DDT output in the April-June period, 1949 is scheduled at 198 metric tons (or about 800 tons a year), as shown by companies in the appended Table. Besides this domestic production, about 490 tons will be imported on the assumption that annual needs would reach 12,000 tons. Out of the imported DDT powder, about 80 per cent is to be allocated for agriculture purpose, and 20 per cent for prevention of epidemics.

Doubt is entertained about whether the domestic demand is correctly estimated, that is, if it will reach the 1,200 metric ton mark this year. It is to be noted that as an insecticide for farm purpose, BHC is gaining more popularity than DDT.

Projected DDT Powder Output (In metric tons: April-June, 1949)

Nippon Soda	66
Mitsubishi Kasei	33
Kureha Kagaku	30
Hodogaya Kagaku	24
Sanko Kagaku	21
Nippon Kayaku	15
Tekkosa	9
Total	198

The producer's price for DDT powder is about one million yen per metric ton. At this rate, the monthly output of 60 tons is valued at around Y60 million. As various types of insect-killers made from DDT powder are priced at two million yen per ton of DDT powder used as material, the total value would be Y120 million. Signs of overproduction, which appeared with the introduction of free marketing, will become all the more conspicuous unless DDT products are sold smoothly in the home market.

Iron & Steel

The iron and steel industry is again face to face with a crisis. Having overcome the postwar setback somehow or other, the industry made such smooth recovery in the past years that economical operation of iron and steel plants appeared to be possible early this year. At that time, the single exchange rate was fixed at Y360 to the dollar. As of consequence, Japanese iron and steel manufacturers have been dragged into inseparable relationship with world economy, and their production costs now cannot remain independent from overseas price conditions. Not only that, there are indications that the Government will be obliged to abolish the price adjustment subsidy sooner or later.

Some pessimists doubt the possibility of bringing this key industry again on its own feet. Is there, however, no leeway for a further reduction of the production costs of iron and steel products? About this important problem, the Nippon Tekko Remmei (Japan Iron & Steel Manufacturers Association), in its recommendation to the Government, came to the following conclusion:

(1) Even if the price adjustment subsidy is abolished, it would be more profitable for Japan to manufacture iron and steel products than to import them from abroad with the exception of tin-sheet and heavy rail. (2) The profitability of domestic production would become all the more conspicuous if necessary materials are imported from the East Asian countries by Japanese freighters or foreign craft, chartered on a bareboat basis. In the case of tin-sheet, the cost is considerably high mainly because plants are operating at an extremely low rate to rated capacity, and it can be curtailed markedly under full-capacity operation. (3) If needed materials are imported from East Asia by Japanese or chartered foreign ships, brighter prospects would await the iron and steel industry of Japan, for Japan-made iron and steel products would be well able to compete with foreign makes on East Asian markets.

The difference becomes much greater when the cost of shipping in prewar Japanese bottoms is applied, as in Table 2. The charge for shipping a ton of tea in 1937 on a Japanese vessel was \$6.00, but a similar shipment on a United States vessel in June, this year, cost \$14.25. This difference in the case of raw silk is up \$5.50 from \$2.00; and treble in the case of toys which formerly could be shipped at \$6.00. With ceramics there has been a 666 per cent jump of from \$4.50 to \$30.00. So it can be safely assumed that rates are now generally three times prewar.

2. Comparison of Prewar Japanese Shipping Rates Against Postwar U.S. Rates (Trans-Pacific) (In U.S. Dollars)

	1937	1949	
	(Jap- (U.S. anese Ves- sels) (June) (%)	In- crease (%)	
Tea (per ton) . . .	6.00	14.25	237
Raw Silk (100 lbs.)	2.00	5.50	275
Ceram'cs (per ton)	4.50	30.00	666
Toys (per ton) . . .	6.00	18.00	300

How is it then that shipping rates have risen more than prices in general? Insofar as the Pacific area is concerned, shipping companies of the leading maritime nations have pooled their interests and have entered into a rate fixing agreement. This was at one time reported to have become an issue in the light of anti-trust legislation. But because the agreement is of an international nature, involving not only British and American shipping firms but other commercial interests, the law of a single nation appears insufficient to cope with the case. Japanese importers and exporters, unable to find any effective way of countering this most serious blow to trade, cannot find any excuse to avoid payment of exorbitant charges.

Based upon such a statistical study, the Nippon Tekko Remmei recommends the two counter-measures: "First, promote imports of raw materials from East Asia. Our iron and steel industry could not establish itself as an independent business unless necessary materials are imported from East Asia. We could not compete with foreign interests on the world market if we buy raw materials from distant sources at high freight rates. Fortunately, coking coal, coal for gas generation, iron ore, etc. are rich in East Asia and, moreover, there is in this part of the world no country which needs them in great quantities except Japan. East Asian materials which we should import by all means are, to mention the most important: Coking coal from the Kailan and Fushun Coal Mines; iron ore from Hainan Island; and iron ore from India and Malaya."

"Second, for promotion of our iron and steel industry nothing is more essential than to build ocean-going freighters or charter foreign ships on a bare-boat basis for transportation of raw materials and finished products, for, otherwise, the balance of invisible trade would become considerably against Japan".

In 1941-42, when her rolled steel output totalled 4,242,000 metric tons, Japan imported 5,674,000 tons of coal and 5,669,000 tons of iron ore (or 11,343,000 metric tons combined). In 1949-50, plans are under way to import 1,600,000 tons of coal and 1,810,000 tons of iron ore (3,410,000 tons in all), so that 1,800,000 metric tons of steel products may be turned out. In case these materials are imported from East Asia, the distance of transportation would be far shorter for Japan than for the United States. For Japan, the distance is 3,573 km. for iron ore and 1,210 km. for coal; for the United States, 4,250 km. for iron ore and 3,000 km. for coal; and for Germany, 4,613 km. for iron ore (these figures are estimated on the assumption that overland distance is seven times marine transportation.)

In the case of Japan, all the needed materials have to be imported from foreign sources. If they are carried at reasonable rates by own bottoms, therefore, the manufacturing costs of iron and steel products could be cut down. According to a survey by the Nippon Tekko Remmei, in order to import 3,888,000 metric tons of raw materials, such as coal, ore and fuel oil in 1949-50, Japan will have to pay

as freight \$26,702,000 (or about 30 per cent of the total value of material imports in 1949-50). If carried by Japanese shipping, freight payment would be \$15,202,000 (only 17 per cent or so of the total material imports), or a reduction of \$10,870,000. If materials are bought from East Asia instead of distant sources, the percentage of materials against the total cost would fall from 55 to 44 for pig iron, and from 28 to 21 for bar steel.

Automobile Industry

The automobile industry of Japan which had experienced a continued slump since the war termination gradually increased its output due to the improved situation of material supply in 1948. This upward trend was still kept up even after the turn of the year. Japan's automobile industry is younger than the railway and shipbuilding industries. With the extensive introduction in 1935 of American manufacturing technology, the production of automobiles was studied in order to fit the roadway conditions and fuel situation of Japan. Since then this industry has made rapid strides.

With the outbreak of World War II, the automobile industry was almost completely converted into the production of armament and aircraft. Factories were either dispersed or damaged by war, so that the development of this industry was hampered, and the output of automobiles showed a decrease.

At the time of the war termination, the transportation system of Japan was so dilapidated that delivery of commodities was obstructed. To break this bottleneck in transportation, it was considered insufficient to merely rehabilitate railway facilities, and greater importance was attached to the rehabilitation of automobile transportation.

Heretofore, Japan adhered to the railway-first policy, and considered the automobile service as secondary. For this reason, if automobiles were to assume a vital role in rehabilitating the transportation system it was necessary to increase the production of new cars. But the production of steel and coal was so scarce that the auto makers had to continue production only with stock on hand.

The allocation of materials in 1948 was however increased to double the figure for 1947, and the production of automobiles gradually went up.

1948 Output of Motor Vehicles Classified by Products

	Cars
Common type	15,809
Small type with four wheels ..	3,940
Electric automobiles	1,405
Small type with two or three wheels	24,618
Large type automobiles	620
Trailers	623
Total	47,015

Classification of Vehicles for 1948 Fiscal Year

Capacity Output

Truck and bus of common type	36,000	18,493
Truck and sedan of small type	8,400	4,924

Motor vehicles now produced in Japan comprise a large type, a common type, a small type with two, three and four wheels and electric motorcars. Of these, the truck and bus of common type and four-wheeled cars of small type constitute the greater part of production. The monthly capacity of the principal makers is as follows:

Nissan Jukogyo K.K.	650 cars
Toyota Jidosha Kogyo K.K.	650 "
Diesel Jidosha Kogyo K.K.	350 "
Mitsubishi Jukogyo K.K.	100 "

According to the 1949 Government plan for automobile transportation, freight capacity is to be increased 10 per cent and passengers 25 cent over the actual volume in 1948. Therefore domestic demands for automobiles will increase, but it is not expected that such demands will rise too high due to the fund shortage of purchasers.

Under the circumstances, the automobile makers will find it difficult to operate their business and to cope with this situation, the development of overseas markets becomes a vital problem to the manufacturers. After the war, few cars of Japanese-make have been exported. The recent trade agreement between Japan and Korea includes the export of a large number of Japanese automobiles. Thus a way is opened for the advancement of Japanese cars to overseas markets.

The automobiles of Japanese make are known to have the following points in their favor. 1. Durability: To overcome the bad road conditions, makers have made improvements on materials in order to secure durability. In this respect, the technology of Japanese makers can be said to reach the world level. 2. Fuel Economy: Thorough researches have been conducted to obtain maximum efficiency of the engine in view of the acute shortage of fuel resources in Japan. Therefore the engines of Japanese make are well-known from the standpoint of fuel economy.